WORKING OF EXIM BANK—
A CRITICAL STUDY

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BY

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PREFACE

In the changing economic scenario of today Exim bank has a very important role in financing, facilitating and promoting foreign trade of India The relevance of this bank lies in growth and development of Indian Foreign Trade particularly promotion of export.

The objectives of the study to select the 'Working of Exim Bank' is quite inspiring and interesting. The modern world has shrinken to a village and Indian Trade and industries are to face complex challenges from the industrial community of the world In this condition the role of Exim Bank is to save, uplift and rejuvenate the fate of Indian international Trade. The working of Exim Bank has been long felt topic in which I wanted to study the Banks functioning critically Now the present work is completed with the detailed study and important conclusions.

In fact, the Exim bank has been playing leading role in removing hurdles of foreign traders of India since its inception. I have found, in course of my study, that Exim Bank is facilitating the Indian

International Trade (especially export) from all the corners, including financial, advisory and promotional circles. Thus, the study has been fruitful and relevant in the objective set It is in the hands of the viewers for better understanding of Exim Bank of India The present study is to examine the operations of the Exim Bank, which is in existence, and to undertake a critical analysis of these activities In this research work different methods of assuming effectiveness of Exim Bank have been examined in detail and with the help of an economic survey. It is expected that present study will help the government, non- governmental organizations and many other economic and financial organizations which have been promoted in our economy from time to time.

I express a deep sense of gratitude to my teacher and supervisor Prof. K.M.Sharma, Head Department of Commerce and Business Administration University of Allahabad for his able guidance, inspiration, active help and constant encouragement at every stage of my life

In my effort such help has been received from number of government organizations, institution and private agencies. I am extremely grateful to all of them. I am particularly thankful to Dr. Akhil Mishra, associate Lecturer in Banars Hindu University, Varanasi for his valuable assistance in the course of my this work.

I am also grateful to Ashok Kumar Pandey Lecturer in Government Degree college Itanagar Arunanchal Pradesh, for helping me during the course of my study. Without his active help it was difficult for me to present this work in such a form. I also express my gratitude to Dr. Kaushlendra Singh and Dr. Ghan Shyam Upadyaya Lecturer in Government Degree College Sonabhadra District.

At this moment I remember and express my gratefulness to Shri S.D.Mishra, who actively helped me in collections of valuable data and study material. At this very point I express my deep concern to my younger brother Chandra Shekhar singh who assisted and encouraged me at the every step of this extensive work. I render him my heartiest-blessings and wish his bright future. In the same reference I am much obliged to Sita

Computer Academy which has given the present work proper print with in stipulated period of time

Above all, I feel great worship and dedication to Lord Shiva who strengthened my soul and inner sense to accomplish the present goal

Finally, I express my deep sense of gratitude to my father Shri Lal Sahab Singh who always motivated and pursued me to this work. The work is dedicated to him

Anand Prasad Singh

Date:- 27-8-2002 **Anand Prasad Singh**

M Com , LL B .

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CHAPTER

1-1 - INTRODUCTION

Exim Bank is the short name of export-import. Bank of India, Export import Bank of India was set up in 1982, for the purpose of financing, facilitating and promoting foreign trade of India, It is the principal financial institution in the country for co-coordinating making of the institutions engaged in financing export and imports.

As on March 31, 2001 the Bank had a paid up capital of Rs. 5,499, 918,881 equivalent to US $ 135.6 million. Net worth of the Bank stood at Rs. 15.8 billion equivalent to us $ 350.23 million. The Bank raised loan resources from domestic and international market.

Exim Bank is fully owned by the government of India and is managed by a board of directors with representation from Government. Financial Institutions, Banks, business community. The operations are

grouped into project finance, trade finance, amuses investment finance, export services.

Supported by planning and coordination Groups. The Bank is professionally run with a total staff of 159. They are drawn from six major strains: -

Commercial and development Banking, engineering, economics, accountancy, computer technology, business school graduates.

Exim Bank provides information and advisory services to enable exporters to evaluate the international risks, export opportunities and competitiveness. These include country studies, merchant banking services, advice on international marketing and data to enable effective participation in opportunities offered by projects funded by multilateral institutions

Exim Bank through its wide network of alliances with financial institution, trade promotion agencies, information providers across the

globe assists externally oriented Indian companies in their quest for excellence and Globalization.

The present focus of Exim - Bank is an export finance, The Bank finances for export of Indian Machinery, manufactured goods, consultancy and technology Services on differed payment terms. Exim Bank finance is also available at export production stages. Exim - Bank under-takes co-financing with global and regional development agencies and assists Indian exporters in their efforts to participate in such overseas projects. The Bank has diversified into all stages proceeding export of goods, on credit terms.

1.2 OBJECTIVES

The object of Exim Bank is to provide not only financial aids to exporters and importers but also other financial institution which collects funds to given or provide funds to other exporters. The Exim Bank met only many finance aid for export and import of commodities and services to Indian institutions but it also manages final aid to

foreign institution, which are related to export and importance functions.

Import substitution policies pursued in the early decades of Indian Economic planning led to the development of a large and diversified industrial section. Subsequently, export promotion measure increased the profitability of the export market. This induced Indian companies involved in manufactured products mainly for domestic sale to look much more seriously at overseas market. As a result, during the seventies, India as export of non-traditional products particularly engineering goods, began to expand rapidly. Moreover oil boom in Gulf countries in this period provided enormous opportunity for Indian project exporters. There was a growing realization among policy makers that, to support and further expand exports of non-traditional manufactures, specialized final institution is needed to insure that adequate finance is variable for exporters at internationally competitive rates. In this context in 1982 the government established the Export Import Bank of India and Exim Bank provides several facilities to its customers :-

1- To increase the quantity of the export by Indian Exporters.

2- To provide soonly payment system of export for exporter.

3- To provide short-term loan for Indian exporters from commercial Banks.

4- When IBRD is failed its, responsibility goes to Exim Bank which is established for that work.

5- To maintain coordination among, credit insurance and securities.

1.3 RESEARCH METHODOLOGY

1.3.1 *The nature of the Study:*

The present study is concerned with the evaluation of Exim Bank effectiveness in export and import in India. Exim Bank can play a very important and useful role in improving the economic welfare of society. Today Government and Non–Government organizations are

spending million of rupees on export and import improvement programmes but they do not exactly know the real impact of Exim Bank. Following are the main aspect of the study.

1.3.2. *Objectives of the Study:*

The main objective of the present study is to evaluate the working of Exim bank in reference of export and import of India.

The Sub Objects are:

(i) To examine the significance of Indian Exim Bank

(ii) To examine the effective working of Exim Bank and.

(iii) To give suggestion for effective working.

1.3.3: *Hypothesis:*

After establishing the objectives of the study, the next step is to formulate hypothesis so as to find out tentative causes or possible reasons for the problems. The process of establishing hypothesis as to the causes of a problem is an extremely important step in the research procedure because any conceivably pertinent hypothesis is the basis for

tracing out possible cause of a problem. The present study has been undertaken to test following hypothesis:

1- How far it has succeeded in its export and import policy?

2.- What are these shortcomings due to which it could not executed its policies.

1.3.4. *Research Methodology:*

Methodological aspects of the study include selection of the sources and collection of data, for the purpose of the present analysis.

1- *Collection of Data:*

The data for the present study have been drawn from secondary sources. Secondary data included published and unpublished documents from a number of governmental and non–Governmental organizations. Some data are collected from magazine, newspapers and reports which are published by the government day today where newspapers are very important sources for data collecting preference during the period of 1st April in each year and several types of

economics magazine give important information about function of Exim Bank

2- *Analysis of Data:*

The analysis of collected data would be done according to the needs of modern statistical techniques as percentage, proportion co–relation and regression etc. If it is needed to computer also used.

3- *Presentation of the Study:*

The study has been presented in 6 main chapters.

1. The first one deals with introductory aspects of the study such as introduction of Exim Bank, importance of Exim Bank and role of Exim Bank in export and import policies. This chapter also includes the objective of the study of hypothesis, Research methodology. It focuses upon the critical study of Exim Bank in India
2. The second chapter of the study deals with the conceptual aspects of the critical study of working of Exim Banks in India in mainly this chapter deals with the obtained goal.

3. The third Chapter is concerned with the analytical aspect of the study. In the first part, general instruction has been given regarding the evaluation of working of Exim Bank in export import programme. The second part of this chapter has been dealt with the strategy adopted in the present work for measurement of working of Exim Bank

4. The forth Chapter explain Indian new export –import policy in reference to Exim Bank.

5. The fifth chapter deals with A comparative Analysis of few selected Asian Countries.

6. Final Chapter of this work deals the concluding aspect of the study. In this chapter the main findings of the study has been given. Some suggestion have also been made for improving the role of Exim Bank in India with particular emphasis on Export and Import policy.

4- *Limitations:* The present study has suffered from some limitations

1- The study is not based on primary data.

2- It is based on the published information obtained from the Bank's Annual Reports, Books and Journals

1.4 IMPORTANCE AND ROLE OF EXIM BANK :-

Exim Bank also works as a partner financial institution of European community in India. The main object of this community is to stimulate economic development in the target countries through these joint ventures ICICI and IDBI are the other two partner financial institutes. A framework agreement was concluded between European community and Exim Bank on November 14, 1996.

The Role of Exim Bank as a partner financial institution is to act as an agent to Europian community as follows :

(1) To market the facilities, disseminate information and receive application from eligible organization.

(2) To asserts and appraise the proposed investment prefect and prepare applications for financing of the profit.

(3) Be a party in the legal construction of the various agreements.

(4) Administer the fund of the European commission.

(5) In facilities 3 or 4, co-finance the joint venture out of its own funds so as to much the exposure of the European commission.

(6) In facility 2, confutation at Exim's discretion.

Exim Bank would not bear any liability for the European community contribution under any facility.

1.5 EXIM BANKS IN OTHER COUNTRIES :-

Besides in our country Exim Banks are working very successfully in other countries also, such as Japan, Korea, Tiwan, Thailand, Verma, Malaysia and China etc. The study will be incomplete if the salient features of these others nation Bank will not be incorporated. Therefore, a brief interaction of the objectives of in complain these banks are explained below :-

The Exim Bank of Japan was incepted in the year 1950. The main objective to establish this bank was to rejuvenate foreign trade of Japan. The second world war created tremendous destruction to the Japanese economy. The developed trade centres of Japan (Hiroshima and Nagasaki) were turned to ashes by the European and American forces to bow down Japan to its knees. Japan was broken into pieces but could not lose it patience and courage.

Japanese policy makers thought that trade and industry could only revive the Japanese existence in the entire world. For this purpose, they thought that flow of international wealth to the Japanese economy would be possible only when foreign trade world be facilitated from different angles by a single and separate institution. They decided to setup an~~d~~ Exim Bank for this purpose.

Since its inception Exim Bank of Japan stimulated the foreign trade of Japan to a significant extent. This bank motivated the entrepreneurs to come forward and to involve themselves in promotion of exports of Japan. This bank granted cent-percent financial assistance to the indigenous exporters and thus changed the phate of Japanese economy within a very short period of time. The war crushed economy

again smiled and now, Japan is standing in the frontline in the international trade of the world.

To facilitate the Japanese exporters, Exim Bank of Japan opened its overseas branches, it removed all the hurdles on the way of development of foreign trade of Japan. Not only this, but it also evolved Japanese exporters to compete with other giant international players. Thus, Exim Bank of Japan has justified its inception and proved its importance for the Japanese economy. This Bank allured the other Asian nations to establish a Bank for this purpose.

During sixties of the past century Korean policy makers also felt the need of an agency which would look after foreign trade of the country. For this purpose Export-Import Bank of Korea was set up during 1976. This Bank provides financial support for the development of Korean foreign trade. Exim Bank of Korea has diversified the Korean economy with its diversified activities. Today, Exim of Korea has been transformed into Korea Export Insurance corporation.

Exim Bank of Korea has set milestone in the development of Korean foreign trade. The Export trade of Korea has surpassed import trade during last decade of the past century. Now, the policy makers

have started to induce the import to a great extent. For this purpose import credit is provided to Korean importers for import of essential materials and major resources whose stable and timely supply is required for the national economy.

In addition to Japan and Korea Taiwan also setup and Exim Bank for the purpose of promoting its foreign trade. The main focus of Taiwan's Exim Banks was to make light industries export oriented. To serve the objective, during 1979 Exim Bank of Taiwan was established. This Bank offers different services to its exporters.

This Bank has opened different overseas branches to facilitate the foreign trade of the country. During the year 1989 it opened a branch in Jakarta and during 1992-93 another branch was opened in Mexico, and Budapest. Since its inception Exim Bank of Taiwan has accomplished commendable services in enhancing the foreign trade of Taiwan. This Bank appears to have placed greater emphasis on credits for imports and overseas investments. In comparison with other Asian Exim Banks, the Bank appears to have placed considerable less emphasis on promotional activities. However, the importance of the Bank in Taiwan's external relations is enhanced by the fact that it

offers export insurance and also administers the government's fund for international economic development and co-operation.

Thailand also incepted and Exim Bank to facilitate its foreign trade during the 1994 of the past century. This Bank has inherited its services from the bank Tahiland. Exim Bank of Thailand also renders services to its exporters as it is done by commercial Banks of Thailand.

This Bank also promotes overseas investments of the thai inverstors by rendering financial services to assist their investment and funding requirements. This Bank also assists in the accomplishment of large projects regarding investment in the neighboring countries. The basic objective of Exim Bank of Thailand is to promote economic development in the neighboring countries too to facilitate Thai Export to these countries. In this way this Bank is working as too to nourish better relationship between Thailand and its neighboring countries.

China is one of biggest nations in the world. Its economy, is to some extent, similar to that of India. Being a communist and closed economy China introduced economic reforms since 1993 putting the Chinese economy in pace with international changes. For enhancing the foreign trade in a befitting manner China also established Exim

Bank of China for smooth development of its foreign trade. Basic objective of inception of this Bank was to provide financial support for export of engineering goods and capital equipments.

Unlike other Exim Banks, Exim Bank of China stressed upon the export of heavy industrial items like satellite launching, ships, aircraft, electricity, transmission equipment, steel making, rolling equipment and road construction machinery etc. It expanded its area of working in 17 countries of the world. As Exim of India was already functioning in a befitting manner, Chinese policy makers thought to develop a similar agency to promote international trade with neighboring countries too. India is the second largest consumer of Chinese products in the world, Exim Bank of China focuses its attention to enhance its export trade within Indian markets.

Exim of China is the biggest Exim Bank in the world with a variety of overseas branches facilitating the foreign trade of the China to the desired level.

Observing the importance and relevance of Exim Banks in the above countries other Asian nation started thinking to set up Exim Bank in their economies too. In this sequence, Exim Bank of Malaysia

was set up during the year 1996 to facilitate the foreign trade of Malaysia. This Bank has several overseas branches and it is primarily concerned with the export of consumable items to other nations. This bank grants credit, financial and other consultancy services to Malaysia exporters. This bank also regulates the imports of Malaysia. As the inception of this is not very old, proper evolution of its functioning may not be done at this time.

The economy of Myanmar is also like the economy of India. Being the golden triangle of Asia, it is the best suited centres of foreign trade for many Asian and European players. The economy of Myanmar being a developing economy, has identical background as Indian economy has. This country imports most of the things from foreign nation and thus pays majority of its foreign currency for the consideration of imports. Therefore, inception of a separate agency to promote exports and to regulate imports had been a felt need for the Myanmar economy. Keeping in view and looking into the services of Exim Bank of India and the Exim Banks of Asian Nations, Policy makers incepted an Exim Bank of Myanmar during 1997.

Since its inception, this is promoting exports of the Myanmar in a befitting manner. It provides a variety services to the exporters and also regulates the imports of Myanmar. India being the paternal neighbor deals in millions of dollars with Myanmar. The Exim Bank of Myanmar also have better understanding with the Exim Bank of India. Apart from granting financial, advisory and other services to the exporters, Exim Bank of Myanmar in trying to open its overseas branches to bring the Myanmar's foreign trade at the pace of the world.

1.6 CAPITAL & RESOURCES :-

The Exim Bank of India raises resources by following ways :-

2. Borrowings from the Government of India.
3. Borrowings from Reserve Bank of India.
4. Borrowings from domestic and international capital Markets.
5. From the Deposits of public bearing.
6. Share capital.

7. Consolidated fund and

8. Bond and debenture.

In March 1995, total assets of the Bank amounted Rs. 36 bn. (equivalent to U.S. $ 1145mu). The Bank had total paid up capital of Rs 4.4 bn (U.S $ 140 bn). In March 1995 while net worth stood at Rs. 7.5 bn (U.S. $ 239mn). The capital is entirely subscribed by the Government of India. The ratios of capital and net worth to assets have averaged 14% and 20% respectively, during 1985-95. The capital/assets Ratio has declined from 18-/- in 1985 to 0% in 1984/95. While the net worth/assets ratio has remained fairly.

During 1983-95, the Bank raised Rs. 6.5 bn through issue of ten series of long term bonds in the domestic market. Foreign currency resources have been raised without government guarantee, to provide bridge finance to Indian Exporters of overseas projects under execution and also to finance import of computer systems. The Bank tapped international capital markets on five occasions during 1983-95 raising a cumulative amount of U.S. $ 130 mn. On floating rate bans, either directly or through swaps.

The Bank also borrowed yen 1 bn in the Tokyo domestic market The need to reduce reliance on government findings has led the bank to resort is untapped instruments for raising resources For, instance, a few years ago, funds were raised directly through public deposits

FINANCIAL RESOURCES OF EXIM – BANK

Rs. in Crs.

	Resources	1985-86	1999-91	1994-95	1995-96	1996-97	1997-98	2000-2001
1	Share-capital	147 5	256 8	440 3	500 0	500.0	500 0	549 9
2	Consolidated fund	32 5	120.4	311 9	399 7	544 5	705 7	1066 4 0
3	Bond and debt paper	78.0	384.0	644.0	886 1	916 5	826 7	2291 5
4	Borovoing from R B I	260 0	715 0	877 0	877 0	052 0	807 0	617 0
5	Borroning from Govit	64 5	62 1	409.0	35 5	28 7	22 9	139 0
6	Debtion F C	66 0	129 8	525 2	422 2	1154 6	1351 0	1394 5
7	Deposities	-	-	162 0	140 4	66 0	37 1	280 0

Sources:- Exim Bank of India, Annual Report, 11,12,13,14,15,16,19.

Years 1985-86, 1990-91,1994-95,1996-97,1997-98,2000-2001.

1.7 FUNCTIONS OF EXIM BANK

In the present scenario, for the healthy development of a country, it needs to be competent in the inter-boundary economic trade as well as in the foreign trade and international business transactions. In it's absence a country cannot have the proper growth in all sphere of life Because in the so much conditions of the world economic competition it is much essential. And by following this Natural law of international business and trade, a country enables itself for the affective presence in the export market of the world, which is related to the quality of the goods to be in/ exported. It is said to be the morality of trade.

It is the matter of surprise that before the decades India is in the effort to make itself active participant in the world trade, but while on the other hand, the India's participation in the world economy is confined to 0.67%. As a result our annual trade of export is constant on the 46 billion dolor's per year Which needs to be extended

For the proper economic development of any country it is most essential that its export trade should exceed in the comparison of its

import-trade. In the simple words, a country must earn more from export trade in the comparison to its exports on its import trade.

There are many reasons for the economic lag in the Indian export trade, important of them is to seek device from which for the export may be promoted and import be reformed. This is why in the current Exim policy (2002-2007) Indian commerce and Industry minister has declared the growth in the export trade 1% from the 0.67% by the year 2007. And by the end of tenth five year plan export trade of India will be extended to 80 billion dolor from that 46 billion dollar. To get this target India will have to increase its annual growth rate 11.9-/- which according to law minister is not easy one.

In the view of above descriptions we see that the Exim Bank aims at promoting India's international trade. To perform their responsibilities it has to do some function and these functions has been briefly explained in the following lines:-

(i) **To provide direct financial assistance to Exporters:** The first function of export and Import Bank of India, is to enable Indian exporter to extend term credit to overseas imports of eligible

Indian goods. The Bank finances export of Indian machinery, manufactured goods, consultancy and technology services on deferred payment terms. Exim Bank finance is also available on export production stages.

(ii) **To provide the credit facilities for the capital:-** Investment in foreign – Exim Banks assists Indian exporter in their efforts to participate in overseas project. It enables Indian Exporters to finance equity contribution in joint ventures / WOS set up abroad.

(III) **To provide credit for Techno–exports:** Indian Exim Bank enables Indian Exporters of consultancy and technology services of the extend term credit to overseas importers.

(IV) **Pre–shipment credit:** Indian Exim Bank enable enables Indian Exports to buy raw materials and other inputs for export contracts involving cycle time exceeding six months.

(V) **To provide the facility of re–finance for the credit provided to exporters by other finance agencies:-** Indian Exim bank enables banks to offer credit to Indian exporters of eligible goods which extend them term credit over 180 days to importers

overseas And this also enables banks to offer credit to eligible export – oriented units to acquire indigenous and imported machinery and other assets for export production.

(VI) **Re–discounting the bills related to foreign trade:** It enables banks to re–discount export bills of their small scale industries customers with issuance not exceeding 90 days.

(VII) **Export:** Import proposes the guarantee in the interest of foreign Importers on the behalf of Indian exporters. It enables Indian companies to provide requisite guarantees to facility execution of export contract and import transactions.

(VIII) **Finance for deemed exports:** Exim bank enables Indian companies to meet cash flow deficits of contracts secured in India and financed by multilateral funding agencies.

(IX) **Export Marketing Finance:** Enables exporters to implement market development programmers and finances productive capabilities through loan financing.

(X) **Underwriting:** Enables Indian exports to raise finance from capital markets through public/rights issues of equity

shares/debentures with the backing of Exim banks underwriting commitment.

(XI) **Reloading Facility:** Enables banks overseas to make available term finance to their Clients for import of eligible Indian goods.

(XII) **Bulk Import Finance:** Enable banks to offer finance to imports for bulk import of consumable exports.

(XIII) **Lines of credit:** Enables overseas financial institutions foreign government, their agencies to inland term loans to finance import of eligible goods from India.

(XIV) **Buyers Credit:** Enables overseas buyers to import eligible goods form India on deferred credit terms.

1.8 ADMINISTRATION AND ORGANIZATION OF EXIM BANK

Fxim bank is fully owned by the government of India and is managed by the Board of directors with representatives from the government, financial institutions, banks, business community. The operations are grouped into project finance, Trade finance, overseas

investment finance, Export services supported by planning and co–ordination groups.

The Bank is professionally run by a total staff of 159. They are drawn from six major streams: Commercial and development banking, engineering, economics, accountancy, computer technology and business school graduates.

Accordingly, the different post and office has been Created for the effective administration. Board of directors is consists of the highest office of the Managing Director and some secretaries, as Secretary of the dept. of Industrial policy and promotion, Secretary of Ministry of commerce, and joint Secretary of Ministry of Finance. Besides these the Board is comprised of chief Economic adviser of Ministry of Finances Deputy Governor of Reserve Bank of India, Chairman and Managing Director Industrial development Bank of India. Chairman–cum Managing Director export credit grantee Corporation of India Ltd. Besides, these Chairman and Managing Director Punjab National Bank. Chairman and Managing Director Union Bank of India. Chairman and Managing Director F.I.D. Parry (India) Ltd. Chairman and Managing Director T.I.L. Ltd. as well as

President Manager Engineers Pvt. Ltd. and Managing Director Humpherys and Glasgow Consultants Ltd.

The above said offices and posts are as on October 1998.

The Bank has 5 overseas offices of Abidjan, Washington D.C. Singapore, Budapest Rome and Within India, There are six other offices, apart from the Head Office. The Bank places enormous emphasis an office automation and technology. The availability of the state of the art office equipment and ongoing innovations in the work culture and environment has enabled the Bank to operate with a lean staff strength numbering 122 personnel in March 1995.

As a result the staff productivity is exceptionally high. This is evidenced by the fact that net profit per employee amounted to an equipment of US $ 205 thousand in 1994-95. (having more than doubled from US $ 94 thousand in 1985).

CHAPTER-2

WORKING OF EXIM BANK

2

CHAPTER

WORKING OF EXIM BANK

Import substitution policies pursued in the early decades of Indian Economic planning led to the development of a large and diversified industrial Sector. Subsequently, export promotion measures increased profitability of the export market. This induced Indian Companies involved in manufacturing of products mainly for domestic sales to look much more seriously at overseas markets. As a result during the seventies India's export were non–traditional products, particularly engineering goods began to expand rapidly. Moreover the oil boom in Gulf Countries in this period provided enormous opportunities for Indian projects exporters. There was a growing realization among policy makers that to support and future expends export of non – traditional manufactures, a specialized financial institution was needed to insure that adequate finance was available for

exporters at internationally competitive rates In this context in 1982, the government established the Export–Import Bank of India

2.1. *CURRENT LENDING PROGRAMMES:*

Currently, the Bank promotes export through a variety of lending programmes which are tailored to meet the needs of different customers groups i e. Indian exporters, overseas entities and commercial banks. Indian exporters can avail of investment loan, export product development loans, loans for export marketing, pre shipment credit, supplies credit for export of project, product and consultancy.

Indian companies can also avail of facilities such as forfeiting, under writing of issue and bridge loans, import finance through lines of credit from other export credit agencies, bulk import finance for import of raw material and intermediaries Equity finance is available for companies abroad for manufacturing, marketing, trading, warehousing, leasing and other services.

Indian companies, collaborating for technology particularly with European Union companies can obtain concessional finance through the Bank. Foreign Governments and Bank are offered buyer's credit and lines of credit from other ECA's, bulk Import Finance for import of raw materials and intermediates Equity finance is available for companies abroad for manufacturing, marketing , trading, ware housing, leasing and other series. Indian companies collaborating for technology particularly with European Union Companies can obtain Concessional finance through the Bank. Foreign Government and Banks are offered byers credit and lines of Credit. Refinance to Commercial Banks is extended by way of supplies credit foreign currency pre-shipment Credit as also term loans to export oriented units.

The Bank also offers guarantee facilities to Indian exporters and importers. The Bank, thus, offers finance at all stages of the export business cycle i.e import of technology, export product development export production, export marketing, pre-and post-shipment export credit and investment abroad.

Further details of the current lending programmes are provided as follows:-

1. For Indian Exporters

Export (Supplier's) Credit agencies Indian exporters to extend term credit to importers of eligible Indian goods

Finance for Consultancy and Technology Services enables Indian exporters of Consultancy and technology services to extend term credit to importers overseas.

Pre-shipment Credit enables Indian exporters to buy raw material and other inputs for export contracts involving cycle time exceeding six months.

Finance for Deemed Exports enables Indian companies to meet cash flow deficits of contracts secured in India and financed by multilateral funding agencies.

Foreign Currency Pre-shipment Credit enables eligible exporters to access finance for import of raw materials and other inputs needed for export production

Finance for 100% Export-oriented units (EOUS) & Units in Export Processing Zones enables Indian companies to acquire indigenous and imported machinery and other for export production.

Foreign Currency Lines of Credit for Imports enables eligible export oriented units to acquire plant and machinery and other assets for increasing export capability.

Export Production Development Finance,enables Indian firms to undertake production development, R & D for exports.

Overseas Investment, Finance, enables Indian promoters to finance equity contribution in joint ventures/WOS set up abroad.

Software Training Institutes programme enables setting up of institutes for software training.

Export Marketing Finance, enables exporters to implement market development programmes and finances productive capabilities through loan financing.

Production Equipment Finance enables eligible export-oriented units to acquire equipment.

Services

Underwriting enables Indian exporters to raise finance from capital markets through public/rights issues of equity shares/debentures with the backing of Exim Banks underwriting commitment.

Forfeiting enables Indian exporters to convert credit sales to cash sales without recourse to the exporters.

Guarantee facility enables Indian companies to provide requisite guarantees to facilitate execution of export contracts and import transactions.

L/C Confirmation: Confirmation of L/Cs covering import of capital goods Project Preparatory Services Overseas enables Indian consultancy firms undertake project preparatory studies in developing countries by grant/loan financing.

Business Advisory & Technical Assistance Services Overseas enables Indian Consultancy firms undertake specific assignments in selected countries through grant financing.

Cooperation Arrangement with African management Services Co. (AMSCO), Amsterdam enables Indian consultants secure

assignments in various projects that are managed AMSCO in different parts of Sub-Saharan Africa, through grant financing.

Africa Enterprise Fund enables Indian consultancy firms to undertake specific assignments in Sub-Saharan Africa through grant financing.

EC International Investment Partners facility enables setting up of joint ventures in Indian between Indian companies and enterprises in the European Community.

2. For Commercial Banks

Refinance of Export (Supplier's) Credit enables banks to offer credit to Indian exporters of eligible goods, which extend term credit over 180 days to importers overseas.

Small Scale Industry (SSI) Export Bills Rediscounting enables banks to rediscount export bills of their SSI customers with usance not exceeding 180 days.

Relending Facility enables banks overseas to make available term finance to their clients, for import of eligible Indian goods.

Refinance of Term Loans to EOUs enables banks to offer credit to eligible export oriented units to acquire indigenous and imported machinery and other assets for export production.

Bulk Import Finance enables banks to offer finance to importers for bulk import of consumable inputs.

Guarantee Cum refinance supplier's Credit enables banks to project their own cash flow as also their exporter client's cash flow on account of default by overseas buyer (protects the bank by not treating the advances as a non performing asset for provisioning purposes.)

3. For Overseas Entities

Lines of Credit enables overseas financial institutions, foreign governments, their agencies to on lend term loans to finance import of eligible goods from India.

Buyer's Credit enables overseas buyer to import eligible goods from India on deferred credit terms.

2.2 DIVERSIFICATION:

When the Bank commenced Business in March 1982, the programmes that it operated essentially related to term post-shipment export credit. The Bank also offered pre-shipment credit and awareness investment finance for Indian joint venturers overseas however the value of assistance extended for these two activities were minor. However the Bank realized at an early stage of its existence that, as are of the first export credit agencies to be established in a developing country, it could not tread the same path as export credit agencies in industrialized countries. Thus while traditional medium and long term post shipment export credit still remains a major focus of its activities. The Bank has over the year become increasingly involved in the financing of other segments of the export cycle like investment, production, marketing and two – way technology transfer.

When it was established in 1982, Exim Bank was conceived by Indian policy makers as an important instrument of export promotions, as part of the increasing policy thrust on exports. The major constraints on India exports relate to production, in contrast, term post-shipment

credit is relevant only for a relatively small segment of India export, primarily engineering and capital goods exports. Therefore provision of investment finance by Exim Bank has been a natural strategic move to encourage investment in internationally competitive, export oriented projects. Entry of the Bank in the sphere of investment finance began in 1984 when a loan programme for funding acquisition of plant and machinery by export oriented units were introduced. The Bank has also emphasized the provision of pre shipment credit both in Rupees and foreign currencies to assist the export in the export production process.

Inadequate export marketing efforts, by Indian exporters were also perceived by Exim Bank as a critical failure explaining how export expansion in more demanding industrialized markets. Therefore since 1986 the Bank has been offering finance for a range of activities relating to export marketing and export product development.

Since medium and long term export finance is not relevant for a large number of Indian export products, the Bank has also been active in short term export finance to remove constraints in availability. For instance, under the export bills rediscounting facility, funds have been

provided to commercial bank to rediscount short-term export bills of exporters.

Since mid–1991, the Indian Government has been implementing major economic reforms and liberalization measures have greatly encouraged globalization of Indian Economy. Exim India's new initiatives since 1991 are aimed at proactively responding to these policy changes by supporting the globalization efforts of Indian companies especially in the areas of exports, imports for export production, technology transfer and foreign investment. In 1991-92 a programme for provision of short-term foreign currency credit to finance input for export production was introduced. A new programmes was introduced in 1992-93 to finance vendor development activities by large companies including export and trading houses. In the same year the bank also decided to facilitate forfeiting by intermediating between overseas forfeiting agencies and Indian exporters.

As a result of its forays into the financing of a diverse variety of export related and other activities the Bank currently offers as many as 28 financing programmes. The Bank priorities in the medium term are

to be helped Indian Companies to integrate with the world economy and finance every need of exporters in the process

INTRODUCTION OF NEW PROGRAMMS

The new programmes introduced by the Exim Bank of India in each year since 1982 are indicated below Details of the schemes are provided in the earlier chart on current facilities offered by the Bank.

1982 : export bills rediscounting, technology and consultancy services, financing and relending facility to banks abroad.

1983 : export credit risk syndication facility

1984 : financed for deemed exports, finance for export oriented units.

1985 : small scale industry export bills rediscounting.

1986 : export marketing fund, finance under Agency credit line (for Investments to create and enhance export capabilities)

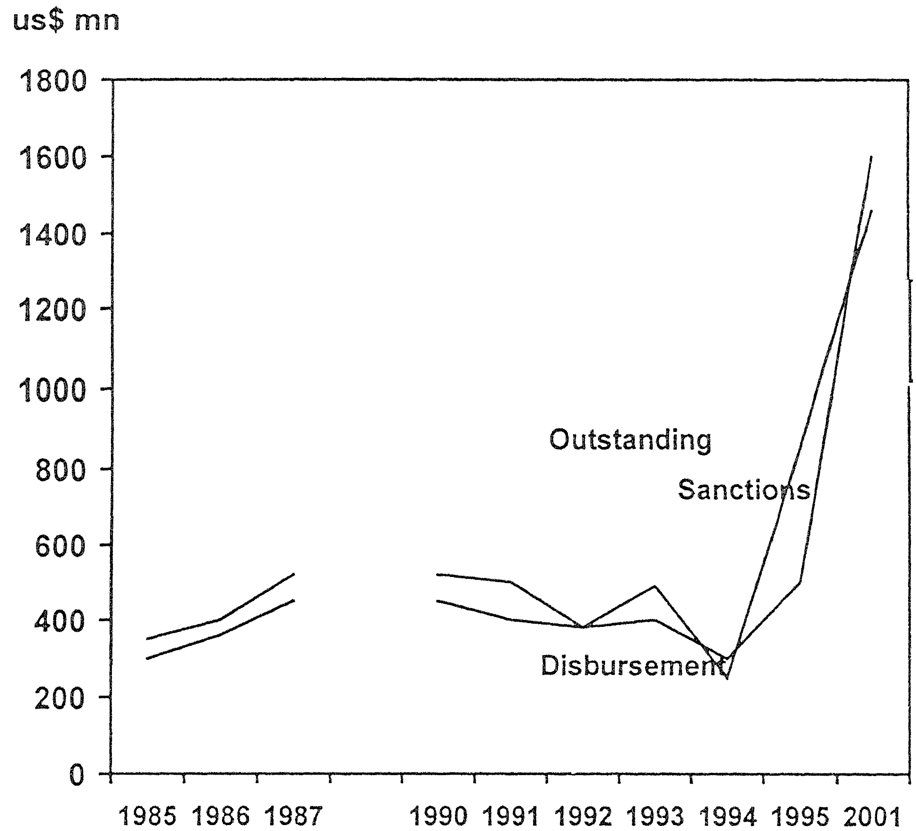
1987 : finance for computer software exports

1988-89 :	Financing of consultancy studies under the Africa Project Development Facility, Project Preparatory Studies Overseas Programme, finance for market entry costs.
1991-92 :	foreign currency pre-shipment credit, production equipment finance, EC international partners facility, Business Advisory & Technical Assistance Services Overseas.
1992-93 :	Export Vendor Development Finance, forfeiting, import lines of credit
1993-94 :	Strategic market entry support, underwriting
1994-95 :	Clusters of excellence programme, Cooperation Arrangement with African Management Services Co (AMSCO).
2000-2001:	....

2.3. *FINANCIAL ASSISTANCE:*

During 1994 – 95, disbursements totaled an equivalent of us $ 494 mn. and while loans outstanding stood at us $ 824mn, at the end of the year. During the past decades disbursement and loans outstanding in US $ terms have expended at the rate of 11% p.a. and 7% p.a. respectively. Financial assistance has grown sharply on the past year.

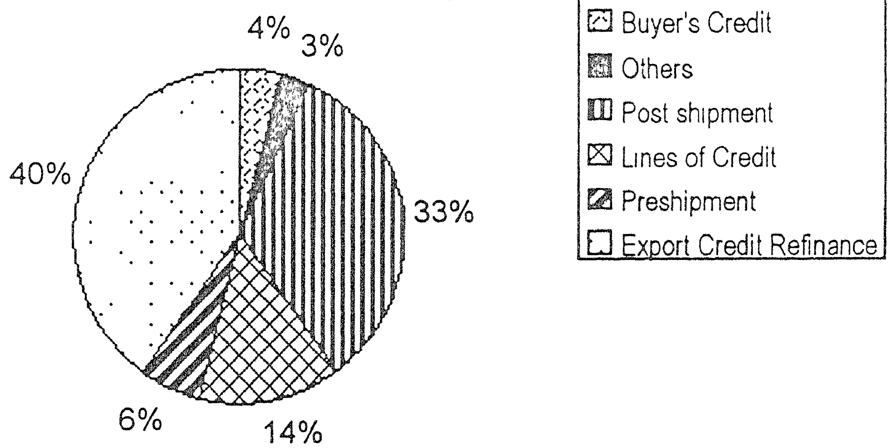
Chart 1 -EXIM BANKS OF INDIA :Financial Assistance



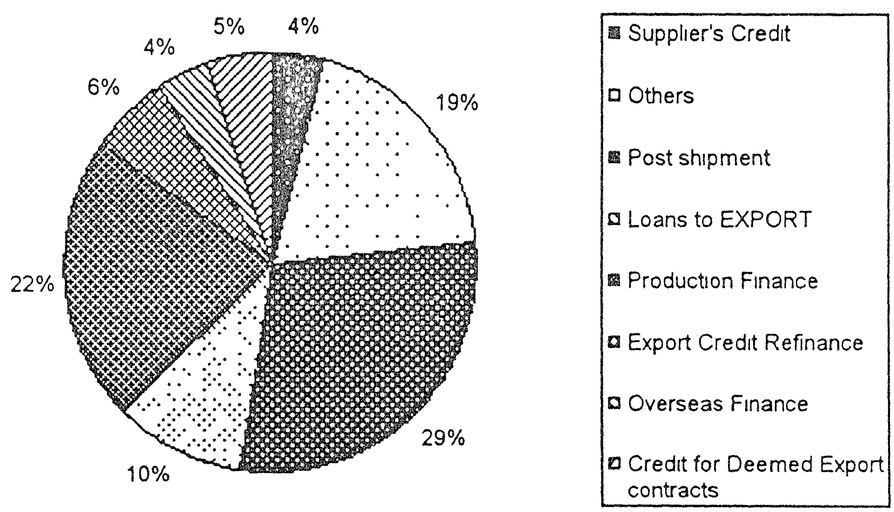
Sources – Exim Bank Occasional Paper No.47.

Chart 2- Loan Disbursements By Purpose of Financing (excluding short-erm programmes)

1985

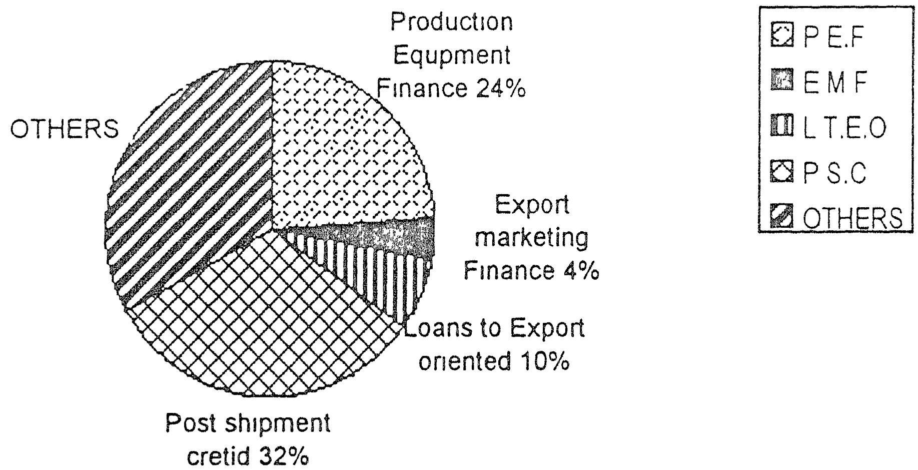


1994-95



Sources- Exim Bank Occasional Paper No 47.

Chart 3- Loan Disbursements By Purpose of Financing (excluding short-erm programmes) 2000-2001



Sources- Exim Bank Occasional Paper No.47-48

The enormous diversification that has occurred in the Banks lending programmes over the past decade is revealed by the following chart:

As regards the regional distribution of assistance, the shares of major regions in cumulative loan disbursed during the past decade were west Asia (55%) south Asia (15%), sub – Saharan Africa (10%) and south East Asia, Far East & Pasifie (7%).

Chart 4- Regional Distribution of Cumulative Loans Disbursed During 1985-95

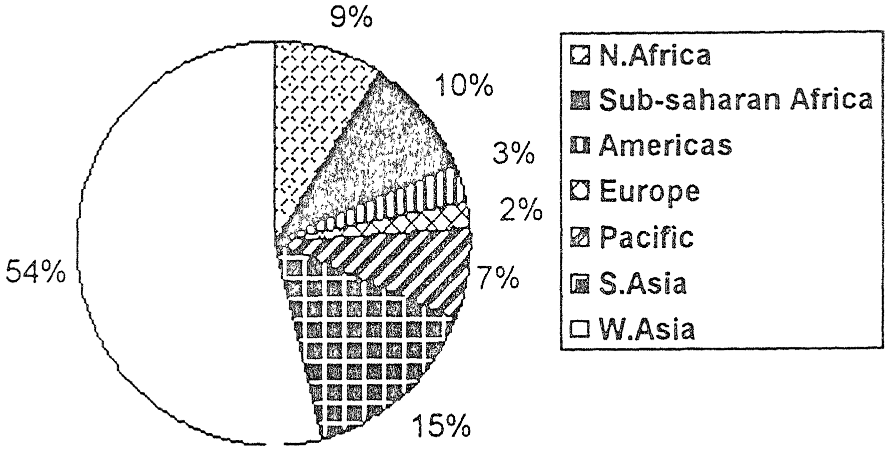
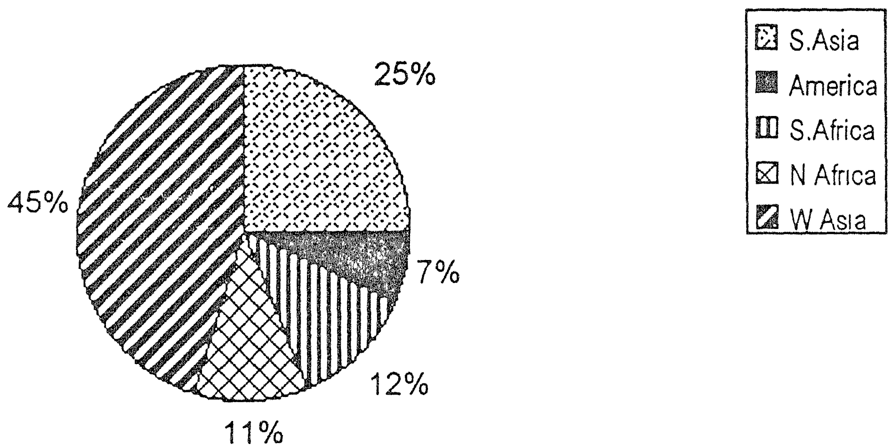


Chart- 5 Regional Distribution of Cumulative Loans Disbursed During 2000-2001



Sources- Exim Bank Occasional Paper No 47-48.

2.4- *ASSETS AND RESOURCES:*

In March 1995, total assets of the Bank amounted to Rs 36bn assets have grown at the rate of 8 6% p a During the past decade, in u 5 $ terms, outstanding loans have averaged two – thirds of assets during this period

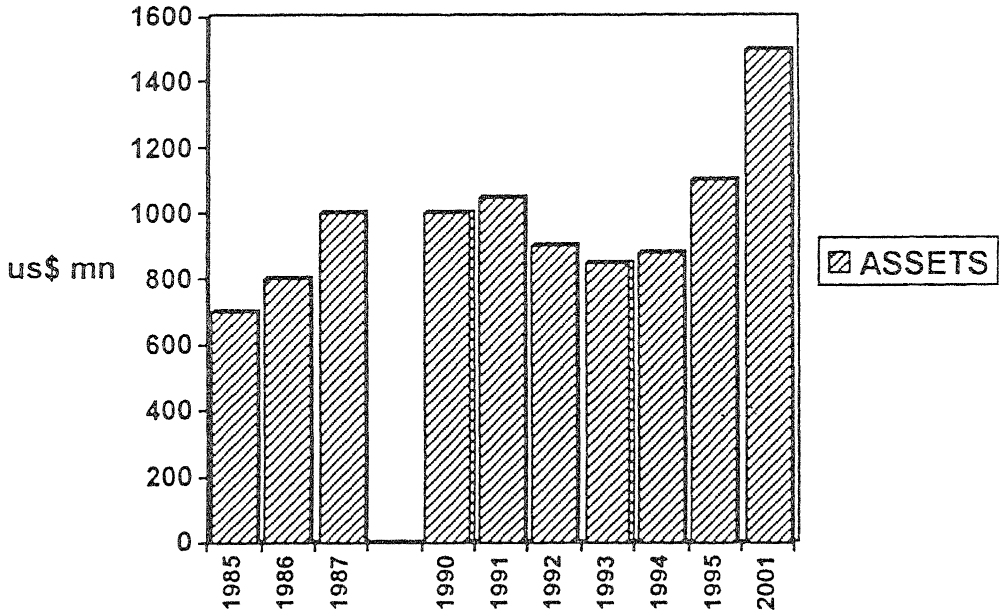
The Bank had a paid up capital of Rs 4.4bn (u 5 $ 140mn.) in March 1905 while net worth stood at Rs.7.5 bn.

The ratios of capital and net worth to assets have overages 14% and 20% respectively during 1985–95.

The capital / assets ratio has declined from 18% in 1985 to 12% in 1984-95, while the net worth/assets ratio has remained fairly stable at 20%

The Bank can also raise resources by way of borrowings from the Government of India, Reserve Bank of India and from domestic and international capital markets as well as by deposits from the public bearing a term exceeding one year During 1983-95 the Bank raised Rs 6.5 bn. through issue of ten series of long term bonds in the domestic markets.

Chart 6- EXIM BANKS OF INDIA :ASSETS

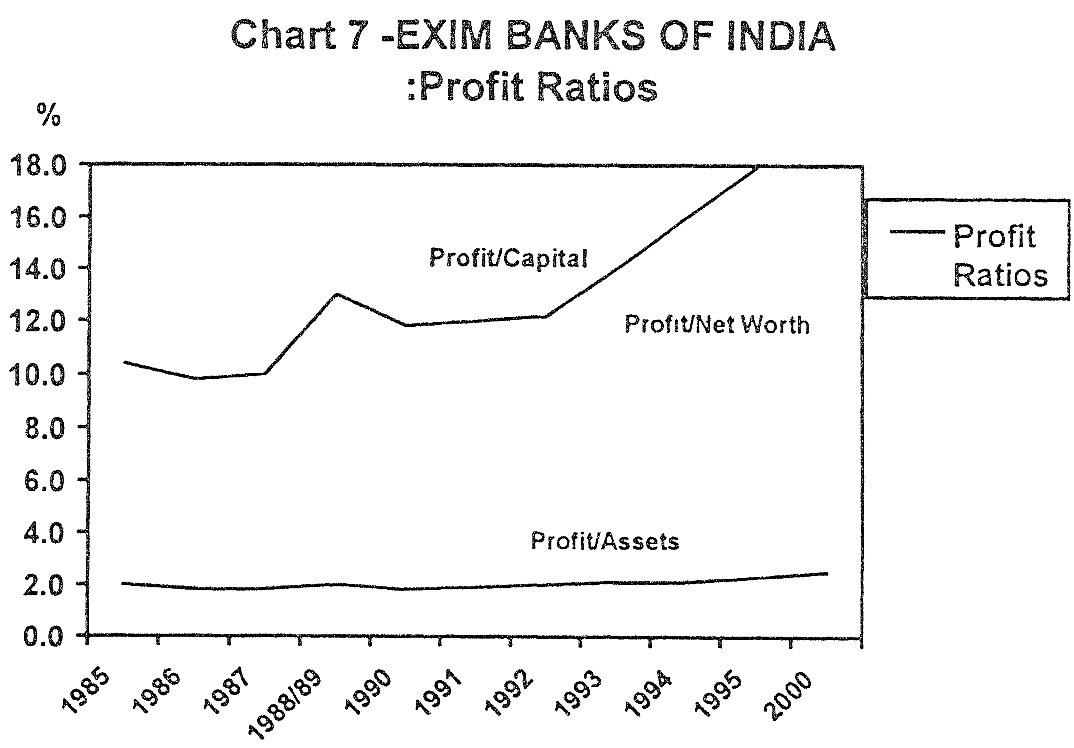


Sources- Exim Bank Occasional Paper No.47-48.

2.5- *PROFITABILITY:*

The Exim Bank attaches a great deal of importance to the efficiency and commercial viability of its operations, which is necessary for adequately fulfilling its mission of promoting Indian exports. This is reflected by the fact that profit ratio are relatively high for an ECA.

Durıng the past decade the ratıo of profit to capıtal, net worth and assets has averaged 12.8%, 8.8% and 1.8% respectively. Moreover, these profit rates have been rısıng over the years For ınstance the profit capıtal ratıo has rısen from 10.4% ın 1985 to 17 9% ın 1994-95 The Bank has also been payıng dıvıdends annually to the government, (whıch amounted to Rs 160 mn during 1994-95 and Rs. 180 mn. ın 2000-2001.



Sources- Exım Bank Occasıonal Paper No 47-48

(Year 1994-95, 1999-2000)

2.6. *PROMOTIONAL AND ADVISORY SERVICES:*

Exim Bank to know itself as more than an export financing institution, a perception which is reflected in its strong emphasis on various information and advisory services. Such efforts are also motivated by the expectation of policy makers that Exim Bank should play a beyond provision of finance.

A major promotional initiative taken in 1986 relates to projects funded by multi-lateral agencies like the World Bank, Asian development bank, and African development bank. Exim Bank felt there projects represent a large business opportunities area for Indian exporters, especially project exporters, which has not been adequately tapped. A prime constraint was inadequate information available to Indian companies on the basis of which bids are submitted. To address this constraints, Exim Bank took on the role of procuring and disseminating detailed information relating to such project at an early stage to select Indian companies to enable them to prepare competitive bids.

A major function of the Bank is to assists in this effort The Bank has three overseas offices at Washington, Abidjan and Singapore In 1993-94, The Bank went one step further by introducing a programme to reimburse the cost of tending for successful bids for projects funded by multilateral agencies. The Bank has also been promoting bids for project funded by the European bank for the reconstruction and development and Japanies overseas economic corporation fund The Bank singed a framework co–operative agreement with the European Bank for reconstruction and development During 1994 – 95 for acquiring advanced information on EBRD funded project opportunities in Eastern European and CIS

In recent years, Exim Bank has also made special efforts to promote Indian consultancy services. For instance under its "Project Preparatory Services overseas" programme the Bank provides loan using Indian consultancy input and preparatory stages in project abroad

The focus of this programme is especially on projects, which have potential for ultimate financing by multilateral agencies or those which carry opportunities for Indian exports There is also an

agreement with the UNDP sponsored African project development facility to facilitate usage's of Indian consultants. A similar arrangement exists with the international finance co-operative for utilization of Indian consultants in business advisory services in regions like the Canada Central America South Pacific and Poland.

During 1994-95.the Bank concluded a cooperation arrangement with African Management Services and, Amsterdam for spooning Indian consultants undertake assignment for private sector companies in sub–Saharan Africa to rehabilitate and expand their business.

Another promotional efforts to the bank is the emphasis placed on research on various industrial sector and issues relating to India's international trade, based on which there is a regular stream of publication on which are widely disseminated.

Recently the Bank has been making special efforts to supplement its wide range of financing programmes with in integrated set of export related services, Further details on the Bank on information and Advisory Services are provided in the following Chart. Thus through its various initiatives over the last decades Exim Bank is now engaged in export capability creation rather than mere

provision of export financial. In fact the current vision of the Bank is to develop commercially viable relationship with a target set of externally oriented companies by offering them a comprehensive range of products at enhancing their. Internationalization efforts.

EXIM BANK'S PROMOTIONAL & ADVISORY SERVICES

Exim bank provides information and advisory services to enable exporters to evaluate international risks, export opportunities and competitiveness, These include country studies, merchant banking services, advice on international marketing and data to enable effective participation in opportunities offered by projects financed by multilateral institutions. Research and analysis is carried out on specific industry sub sectors with export potential and international trade related subjects. These research studies are published in an Occasional Paper series. The bank also disseminates information and analysis through its quarterly publication Export Advantage. Further brief details of the Bank's promotional services are provided below:

Country Studies and Analysis: The Bank's team of economists and financial analysts assesses economic, political, currency and credit risks opportunities is also provided to exporters.

Merchant Banking Services: The Bank provides advisory services to Indian exporters to enable them to offer alternative and competitive financial packages when they bid for export contracts.

Export Marketing: The bank has structured facilities to assist individual exporters and imports and export houses to undertake export marketing programmes for industrial manufactures, especially non-traditional products. The bank's export marketing fund assists to delete exporters seeking increased market share in developed countries through provision of loan funds for technical and advisory services and travel costs covering a range of export marketing activities.

Advisory Services on Multilateral Agency Funded Project (MFP):

To enhance prospects of exporters securing contracts in multilaterally funded projects, the Bank operates a specialized group

for this purpose. The data on MFP is provided at various stages of a project cycle to enable effective participation in opportunities offered by projects financed by World Bank, Asian Development bank, African Development and other official Development Agencies like Overseas Economic Cooperation Fund of Japan. Projects are tracked from the point of identification through its successive stage till its final outcome. Data generated during the various stages of the increase prospects for successful bidding. In this effort, the Group receives major intelligence from the Bank's overseas offices. The data is maintained and updated in a computerized databank. The bank has held seminars on business opportunities for Indian exporters in MFP projects addressed by experts from the ADB and the World Bank.

Access to databases: The bank has access to about 700 databases in Europe and USA equipped with information on products, prices, competitor companies and credit reports. These databases can be used by interested companies.

Annual Research Award: In 1989, the Bank instituted and Annual Award for research in "International Trade and Related Financing" to promote research in this area by Indian nationals.

Training: During 1994/95, the Bank opened an Eximius Centre equipped with state-of-the-art hardware for offering training facilities particularly to small and medium sized enterprises in India. The Centre has conducted programmes for exporters in subjects like globalisation strategy, Indo-Italian joint ventures, post MFA prospects for textile exports, and Indo Canadian trade opportunities.

Promoting Excellence: The Bank introduced the "Clusters of Excellence programme During 1993-94 which seeks to provide training and consultancy services to Indian companies for upgradation of quality standards and obtaining ISO, 9000 certification. It is proposed to cover 100 companies under this programme.

Export Services: The Bank supplements its wide range of financing programmes with an integrated set of export related services.

The Bank has used its expertise and experience for undertaking a number of consultancy assignments for various organization. For instance, During 1991-93 studies were completed for the UN organization, Escap, on the impact of the single European Market on Asian economics as well as natural and comparative studies on promotion of international competitiveness and manufactured exports. It also carried out a study on the feasibility of setting up a regional export credit mechanism for six Gulf countries for the gulf organization for industrial consulting.

During 1994-95 the Bank undertook a consultancy assignment for Bank Indian Malaysia, Bank for setting up an Exim Bank in Malaysia.

2.5. *GENERAL GUIDELINES OF EXIM LINES OF CREDIT:*

Exim Bank extends lines of credit to overseas government/ agencies nominated by them or financial institution overseas to enable buyers in those countries to import capital/engineering goods,

industrial manufactures and related services from India on differed payment terms. This facility enables importers in that country to import from India on deferred credit terms as per the terms and conditions already negotiated between Exim Bank and the overseas agency. The Indian exporters can obtain payment of eligible value form Exim Bank against negotiation of shipping documents, without recourse to them.

The times of credit are denominated in connectable foreign currencies and extended to sovereign government/agencies nominated by them or financial institution. Such government/ agencies/institutions are the borrowers and Exim Bank the lender, Terms and conditions of different times of credit are varying and details in respect of each lines of credit can be obtained from Exim Bank, It also needs to be as ascertained from time to time that the times of credit have come into effect and uncommitted balance is still available for utilization.

2.7 *CRITICAL EVALUATION:*

The Exim Bank of India was established in 1982, to provide a strong impetus to the growth of non–traditional manufactured exports from India. As being the first Exim bank in a developing country

(excluding the NIE). The Bank had to chart a different course from the existing ECA's. Thus Bank has over the years introduced a large number of financing programmes to bridge gaps and address financing constraints faced by the Indian exporter. As a result, unlike conventional ECA's the bank has been offering finance at all stages of the export business cycle i.e. product developments, investment, productive marketing, technology transfer, as well as export credit. Since mid–1991–India policy makers have introduced sweeping, Economic reform and liberalization which have greatly encouraged globalization of Indian Economy.

Sensing the need to pro–activity responds, to these liberalization policy, the Exim Bank has taken a number of new initiatives during the nineties to support the globalization efforts of Indian companies especially in the as size of exports, Imports for export production, technology transfer and foreign investment. The other distinctive factor of the bank has been the enormous emphasis placed on promotional activities apart from its financing operations. Thus the bank has been providing variety of information and advisory services to promote exports technology transfer, quality improvements etc. During the

eighties and nineties, the Bank has undoubtedly play an important role in India. Exports, both through financial supports and catalitic promotional efforts Thus the Exim bank of India has proved to be a bank with different in the universe of ECA's in so for as it affairs Market oriented services encouraging creation of export capabilities among Indian companies assists them in competing world wide and helps them to integrate with the world economy. It has emerged bench mark institution for developing countries

As indicated earlier, the current vision of bank is to develop commercially viable relationships with a target set of externally oriented companies, by offering them a comprehensive range of products and services, aimed at enhancing there globalization efforts. The further opening of the India economy expected in futures years should provide ample opportunities for fulfillment of this vision, especially because the institution has displayed enormous capacity to innovate and respond to changing times

CHAPTER-3

ANALYTICAL ASPECT OF THE STUDY

3

CHAPTER

ANALYTICAL ASPECT OF THE STUDY

In the previous two chapters it has been shown how the Exim bank of India evolved according to its national needs? The purpose of this chapter is to undertake critical study of the Indian exports credit agencies Besides providing useful benchmarks for existing ECA such an analysis holds valuable lesson for younger E.C.A's or those countries intended to establish such institutions.

The Exim Bank of India has continued to diversify into other financing facilities relating to Exports during the nineties – for instance pre-shipment, credit in foreign currency. Financing vendor development activities by large companies including export and to trading houses, facilitating forfeiting by intermediating overseas by forfeiting agencies and Indian exporters, financing foreign joint ventures in India and offering various import lines of credit Such new type of financing

programmes as well as promotional efforts are also meant to support the economic leberlisation policies which the Indian government has been implementing since mid 1991.

These liberlisation measures which have involved, for instance drastic reduction in controls of imports industrial licensing, technology transfer foreign investment flows and foreign exchange utilization have greatly, encouraged the globlisation of Indian economy Thus, Exim India's initiatives since 1991 are aimed at supporting the globlisation efforts of Indian companies especially in the area of exports, imports for export production, technology transfer and foreign investment. When the Exim Bank of India was established in 1982 Indian policy makers were attempting to move away from the import substitution bias of parts economic policies and encourage export growth particularly of non-traditional manufactured products. During the eighties the bank introduced very large number of financing programmes to bridge gaps and address financing constraints - faced by Indian exporters. As a result unlike conventional E C.A's the bank began offering finance at all stages of the export business cycle i.e. product development, investments, production marketing technology transfer as well as export credit. The

bank also placed enormous emphasis on promotional activities apart from its financing operation Thus, the bank has been providing a variety of information and advisory services to promote export technology transfer, quality implements etc Since 1991 Indian policy makers had introduced sweeping economic reforms and liberlisation measures which have greatly encouraged globlisation of the Indian economy Responding to these liberlisation policies, the Exim bank has taken a number of new initiatives during the nineties to support the globlisation efforts of the Indian companies, especially in the areas of export imports for export production technology transfer and foreign investment.

The bank of India provides finance for export vendor development, consultancy agencies, derived exports etc and also assists in forfeiting.

The following lines provides a brief details relating to the geographical distribution of finance provided by Exim Bank of India, for which such information is available The regional patterns of assistance naturally reflects national trends in term of distraction of export and area investment, sources of imports and regions to which

other types of assistance is provided However the striking common features is that India is dominant region in assistance.

The Government efforts to promote international trade during eighties could not achieve the mark During this decade the export of the country was affected to a great extend due to ideological differences of the Governments. Janta Party government was not in favour of allowing multinational companies on Indian soil due to which the export of the country was also affected to the Europe and America. This government believed to import in infrastructeral sector and thus rejected the import of consumable and labour items in the country Here the agency looking after the export import was helpless.

But since inception of Exim Bank in nineties could promote the export of the country. Exim bank set handful of objectives to promote international trade as discussed in the previous pages, but it is yet to accomplish their goals. This body is proved to be the agency of the government and it is direct influence of governmental decision. Though in principle Exim Bank is an autonoums orgnisation , yet in practice its works are guided by different government departments. But one thing is very clear that Exim bank provides financial assistance to

the exports and imports and help in overcoming the hurdles of international trade Due to liberalisation policy the Exim bank plays a critical role in development expected export for the country.

Despite promoting Indian international trade the Bank is also stringed for equity investment in Indian ventures

Under this programme, Exim Bank participates in the equity of awareness joint ventures of Indian companies. The quantum of Exim Bank's contribution in equity of individual ventures will be as follows :

- In case of JV's involving Indian and foreign companies – Exim equity state will not exceed 25% of equity capital of the overseas ventures.
- In case of JV's involving only Indian companies – Exim equity state will not exceed 50% of the equity capital of the overseas venture

Future Exim equity will be less than the Indian promoters equity contribution Exim Bank equity investment will be subject to a maximum of US $ 5 mn per proposal and is subject to R.B.I approval under FERA 1973.

While considering equity investment, Exim bank will give weight to the background and track record of Indian and foreign promoters, synergy of overseas operation with business in Indian financial viability and technical feasibility, return on Exim's investment, benefits to India in terms of trade enhancement technology transfer foreign exchange, earning etc. Spin off of benefit such as brand marketing and penetration of new markets will also be considered.

3.1 *DIS-INVESTMENT :-*

- Not exceeding 5 years from date of subscription of equity.
- Exim bank's equity stake may be offloaded to
  - Indian promoters
  - Other interested Indian companies
  - Stock exchange in host country
  - Others
- Exim Bank will enter into a buy-back agreement with Indian promoters incorporating a maximum dis-investment pricing formula.

- Valuation methodology used at the dis-investment will include: -
    - P/E ratio method
    - EBDIT ratio method
    - DCF method

Performance appraisal of Exim Bank is inevitable to analyse the data and its functioning in connection with different aspects For example Financial assistance (Loan disbursement, regional disbursment) profitability and promotional & Advisory services, these aspects are being analysed in the following manner :-

3.2 *FINANCIAL ASSISTANCE :-*

Exim Bank aims at financial facility to the foreign traders. For this purpose it sanctions and disburses finance to importers and exporters. Since its inception to march 2001 the financial assistance has been presented in the following table :

TABLE No.2

(Rs. in Crore)

Year	Sanctions	Disbursed
1982-83	199.00	178 50
1990.91	1043 40	858 20
1995-96	2465 70	2130 10
1996-97	1242 10	1,256.60
1997-98	1840.60	1,370.40
1998-99	1838.00	1,270 70
1999-2000	19263.00	15,698.20
2000-2001	21672.80	18,726 40
Source – I.D.B.I Report Mumbai Feb 2002		

After the study of above details, we see that the financial aid distributed and administered by Indian Exim bank focuses on the different points. These are as follows.

1 Firstly we can say that in the introducing year the total aid-fund was not enough, although behind this there was no any reason. It can be said that after independence our economy was not so much strong

2 Second major fact is that, there was reform in this field, which we can understand with the help of data but according to the needs this was also not enough

3. Third important matter is that there is difference in the funds admitted and distributed which we can understand in the following manner -

   I Whether the conditions of distribution system were so much strong as applicant could not easily fulfill it .or-

   II. False policy of distribution system or imbalance between demand and supply.

   III. Although it has been noticed that in the year 1996-97 where the permitted fund was 1242.1 crore rupees, the distributed money was 1256.6 crore rupees which entails that there would have been balance between demand and supply.

4. Lastly we would like to say that from the year 1999 the fund to be permitted and distributed would have been suddenly increased according to the need which is almost enough in the contest of present commercial circumstances, because in the year 1999-2000 the growth of ten times has been shown which is an important fact in itself.

3.3 *LEGAL AND ADVISORY SERVICES :-*

Indian Export and Import Bank is establishing the legal and advisory deptt to our exporters and importers, has done the strong and praiseworthy work. As a result there was important growth, but this growth also can also be said enough because while our balance of payment is not in the favour of international trade, payment it can not be considered enough.

In this context we are of the view that it needed the encouragement and promotion to our exporter which can be in different types. Meaning to say is that our advisory deptt. Should be guided in such a way, as there would be growth in the export according to the import. As if we study that first work of Exim bank of financial assistance adding to legal and advisory services we find that there is difference between the fund permitted and distributed which is the certain type of shortcoming in the legal and advisory department at any place

3.4 *PERFORMANCE –*

If we analyse the performance of Export and import Bank, we see that up today the Bank has distributed cumulative debt of Rs 4817 62 crore, where in the 1997-98 the total fund-aid was permitted Rs 1840.6 crore and the distributed was of Rs 1370 4 crore As at the same time, up to March 1999, the bank permitted Rs.19263.0 crore and distributed Rs 15698.2 crore If we see the data of 2002 the bank permitted Rs.21272.8 crore and distributed Rs.18726.4 crore ruppees which is praiseworthy, indeed. In which different types of commodities were included.

3.5 *ASSETS AND RESOURCES :-*

Total assets of bank was 73,981,092098 crore rupees upto 31 march 2001 which was 1145 mn US $ upto March 95 In this there was the growth of 8.6% in the previous ten years, which is important in itself. The paid up capital of the bank was 5,499,918,881 crore by the 31 March 2001.

After the above analytical study we would like to have proper consideration over the financial condition as well as the profit and loss of the Exim-Bank Since, there is the strait relationship between financial condition of the bank and the facilities provided by it, we can say that our Exporters and importers can get the facilities only that much, as the present condition of the Bank allows.

1. Capital :-

If we focus our attention on the capital of the bank, we find that where the initial capital of our bank in 1981-82 was Rs.250 crore at the same place it was Rs.4,402,275,881 in 1994-95 which is in the 2000-2001 Rs.5,499,918,881 crore for which we want to say that this increment was not enough.

2. Reserve :-

If we focus our attention on the second aspect of Bank, in the 1994-95 where the quantity of our resources was Rs.3,118,861,202 in 1994-95 increased to Rs.10663,800,021 in the year 2000-2001 for which

we will say that there is heavy increment which high-lights its strong condition

3. Profit :-

Analysing the profit and loss of the Exim-Bank, it can be concluded that in the comparison to 1994-95 there was the profit of two times in 2000-2001 which is satisfactory and good in itself.

As well as we will say that along with this increment which has been found the bank has also got the proper growth in its reserve. Because profit and loss account denotes the profit of Rs.160,000.00 in 1994-95 which it is Rs 380.000 in the year 2000-2001.

4. Assets -

If we pay the attention on the total assets of the Bank, we find that where the total assets of the Bank in 1994-95 was Rs.36,066,984,439 at the same point it was Rs.72,981,092,098 in the year 2000-2001. So, it can be said that this growth of almost two times in five years satisfactory.

5. Debenture and Bonds -

There is important thing about debt and bond that in the year 1994-95 Bank had debenture and bond of the worth Rs.6439,500,00 while this fund was of worth of Rs.22,914, 915, 470 which has the ıncrement of almost four times, which is very much in ıtself.

It means, that the Bank in its capital capturing programme followed the approach of Trading in equıty

As well as having testing the basic major ratios, we can Judge the financıal condition of the Bank as –

1- Current ratio = $\frac{Current \quad assets}{Current \quad liabilites} = 2 \cdot 1$

We assume that if the current ratio of a business stands correct on standard ratio 2 : 1 then it is correct and satisfactory.

In the year 2000-2001

Current Assets – 65,878,038,250

Current Liabilities – 34,532,357,726

So, C R $= \frac{C\,A}{C\,Liab} = \frac{65{,}878{,}038{,}250}{34{,}532{,}357{,}726}$

$= 1.91 \,.\, 1$

Thus, it is concluded that the current ratio of the Bank is fulfilling the standard of the Bank

2- Debt Equity ratio –

$$= \frac{External \quad Equities}{Internal \quad Equities}$$

$$= \frac{45,566,778,235}{5,499,918,881} = 8\ 89\ \ 1$$

Thus, after the study of debt-equity ratio, we come to the conclusion that the capital structure which is made by the Bank has got the move help from debt capital than that of owned capital. Which we can say that the Bank has followed the concept of Trading on equity.

6- <u>Fixed Assets Ratio-</u>

With the help of this ratio we know the ratio between fixes assets and long term capital Its standard should be of 1·1 With the help of this we assume that the fixed capital have been managed by the long term capital.

$$= \frac{5,499,918,881 + 20,254,662,765}{355,143,511}$$

$$= \frac{25,753,580,646}{3,55,143,511} = 26 \quad 1$$

The study of fixed assets ratio shows that the quantity of the fixed assets is less than long term capital, it means the use of total capital is not confined to fixed assets only but it is also for the current assets

7- Profitability ratio –

Having the study of profitability ratio of the Exim-bank, this clearly comes out that whichever growth is there in this ratio, it is meagre. There is no notable progress of profit neither in the assets nor in the net worth . It has been shown 10% in 1985, 12% in 1988-89 and 17% in 1995 At the same way 18.7% profit has been expressed in 2000-2001.

8- **Borrowings** – Borrowing is the important source of capital management of export-import bank of India Under this programmes the R.B I, Government of India and foreign financial institution play the major role in capital formation If we have a look on these three majors sources we find this result.

TABLE NO. 3

(Figures in Crore Rs.)

	1984-85	1990-91	1994-95	1995-96	1996-97	1997-98	2000-01
B.From R.B.I	260.0	715.0	877.0	877.0	052.0	807.0	617.0
B.From G. of India	64.5	62.1	409.0	35.5	28.7	22.9	139.0
B. From F.G	66.0	139.8	525.2	422.2	1154.6	1351 0	1394.5
Total	390.5	916.9	1711.2	1334.7	1234.3	2370.9	2150.5

Sources – Exim Bank of India – Annual Report 11, 12, 13, 14, 15, 16, 17. Year 1984-85------------2000-2001

After the study of above table it is clear that in 1984-85 Indian export import bank borrowed total of Rs.390 5 lacs in which only R.B I had provided Rs 260.0 lacs which is 65% of total amount. After

that R B I gradually lessened its contribution which reduced to Rs.52 lacs from Rs.1234.3 lack in the year 1996-97 although in coming year R.B.I provided 39% and 35% loan in 1997-98 and 2000-01 subsequently in total borrowing While if we find out the share of foreign countries in total borrowing, we see that the contribution of foreign govt. is continuously increasing. in the year 1984-85 the amount which was Rs 66 0 lacs only increased to Rs 525 lacs in 1994-95 and Rs.1394.5 lacs in 2000-01 which proves that a large share of profit is obtained by the foreign govt. as interest. but this benefit may be given to indigenous debenture holder by accumulating wealth through issue of debentures. It is also clear that indigenous volume of debentures is decreasing .

9- **Deposits**- In the beginning of the deposit policy adopted by the Exim Bank, it was not proper For example during 1984-85 and 1990-91 there was no any provision for deposit, though it was given due consideration afterwards. During 1994-95 and 1997-98 Rs 162.0 Lacs and Rs 37 1 lacs respectively provided for, and during the year 2000-01 Rs 280.0 lacs provided for.

CHAPTER-4

INDIA'S NEW EXIM POLICY-
AN APPRAISAL

4

CHAPTER

INDIA'S NEW EXIM POLICY

As we know that international economic activities of any country is said to have Business policy of that country. So in the broader sense export import policy relates with the export-import quota, its direction, nature, structure, business agreements, Foreign exchange, foreign and Balance of payment and all the problems includes here.

Before independence India had no any economic policy, although since 1923 Indian Government had adapted discriminating protection policy by which India's industries could be safe-guarded from foreign competition It is after the freedom India's business policy could emerged after that the business policy was accepted as a part of general economic policy. Following which Indian Government manifested its Exim policy through Five year planning time to time, under which special place was given to the protection, development

and encouragement to the child industries. Gradually as our industries got proper flourishment Indian Government brought change in its Exim policy.

A- EXPORT-IMPORT POLICY [1997-2002]

Indian Commerce and industrial ministry declared its policy for the period of ninth five year plan and this policy came in force on the first April 1997 for the coming five-years.

The Main objectives of this policy are as following-

1- To make the necessary changes and to bring dynamicism in the Indian Economy so that it could get profit in the increasing world market.

2- To ensure availability of raw materials, Intermediate goods and consumption and capital goods so that by increasing the production the process of economic growth could be ensured.

3- To increase the competitive capacity by the growth in the technical skill and capability in the Indian Agriculture, Industry and technical services

4- And to provide the good objects to the consumer an proper prices.

The Main features of the Exim-policy (1997-2002) are as follows.

(i) Restricted list has been shortened. The import of 542 items has been made the license free out of the 542 items the import of 150 items brought under the special import license. So items of special import License had been transferred to open general License system.

(ii) Export Promotion capital goods scheme has been amended. The import duty on the capital goods has been reduced to 10 percent from 15 percent.

(iii) Value based Advance License Scheme and New Duty Entitlement pass-back scheme on the place of old pass-book scheme has been started. Under the scheme, for passed three years the import has been made free equal to five percent of Export value.

(iv) The Export oriented units of agricultural and related fields has been given the permission to sell their products in domestic market. Like this, software and hardware producers has also

been permitted to sell their products total of 50/- in the domestic market

(v) Under the advance License system the period of export necessity has been extend to 18 months from 12 months Regional Licensing authorities has been empowered to extent this period after taking the proper penalty

(vi) For the purpose to encourage the export of the Golden-ornaments and Diamonds, the number of these agencies has been increased which are capable to store the golden mass.

(vii) Arrangement to accept the application of License computer floppy and E-mail is in the process.

On seventeenth April 1998, some amendments had been made in Exim Policy (1997-2002) of the country Main attractions of this amendments are as follows:-

(i) On the first April 1996 there were six thousand one hundred sixty one items which could be imported on without License. On the first April 1997 the number of these items wave increased to

6,658. In December 1998, 128 other items were declared License free.

(ii) Under the export promotion scheme of capital-goods for agriculture and related sector, the minimum Limitation of 5 crore ruppees has been reduced to 1 crore ruppees on without paying any import duty For the Electronics, cotton industry, Leather, Gold and Diamonds, Playing items and food-processing areas the minimum Limitation was 20 crore ruppees And minimum limitation for the software sector was 10 Lacs.

(iii) For, the establishment of the private bounded ware houses for the import and exports has been given the permission.

(iv) There will be no quantitative restriction on the exporting goods for the purpose of consumers. As well as there will be no license necessity.

❖ In the Exim policy declared for the 1997-2002 some amendments were made in 31th March 1999 again Major provision given in this amendment are as follows –

(i) From July, 1999 all the export processing zones will be changed to free-trade area In these free-trade areas the labour-laws will

not be enforced. As well as in these areas there will be no interpreted Exim duty department

(ii) Upto 2003 India has to finish all the quantitative restrictions on its imports. In the view of this, in accordance of world-trade-organisation (W T O) before the end of period of finishing the quantitave restriction, the imports of some objects has-been permitted

(iii) Under the New export-import policy, 894 goods in open general license (O G T) and 414 items in the special license has been enlisted. Now there are 667 are remaining in the restricted list while in the 1997 its number was 2714.

(iv) The declaration has been made for the appointment of Ombudsman to meet the problem of delay in the export and to reduce costs of goods of exports

(v) Under the duty free scheme, the scheme of D.E. P.B and advance – licensing process has been liberlised under this.

(vi) Under the scheme of Export promotion Capital goods (EDCG) the minimum limitation of the textile, chemical and plastic goods has been reduced to one crore from 20 crore rupees.

(vii) The commerce and industry ministry has declared to provide the green-card for those units which exports 50% of its production.

(viii) The declaration has been made to provide golden status certificate to those exporters who have achieved the class of exporters of exporting houses/trade houses /start trade houses.

(ix) In the amended Exim-Policy the declaration of concession was made in the export-house eligibility for the small exporters. According to this policy, for the general exporters, it was after the earning the one third of foreign money or determined minimum limits, the status of export house will be awarded.

(x) In the amended Exim policy the declaration of concession was announced in the eligibility measures of general export houses. In this policy the determined limit of F.O.B value of 12.5 crore for the export house, 62.5 crore rupees for the trade house 12.5 crore for the star trade house and 925 crore ruppees for the super star trade houses was reduced to vis 12 crore ruppees 60 crore rupees 300 crore rupees and 900 crore rupees.

(xi) Special package was announced for the service sector so for.

(xii) The declaration to provide the status of export house was done for the tourism, law and medical services.

(xiii) To promote the export to Russia, the value increment limit was reduced to 33% from the 100% .

On the 31 march, 2002 the Exim policy (1997-2002) Once again amended, the recommendation made in this amendment was made are following.

(1) For the export 20% growth rate was targeted.

(2) Establishments of special economic zones (S.E.Z) like china was announced.

(3) To establish the special economic zones (S.E.Z) in the Pipav in Gujrat and Tutikorin in Tamilnadu declared.

(4) Mumbai, Kandala, Vishakhapattnam and Kochchi with its present export processing zones were declared to be changed into special economic zones.

(5) Special import License declared to be finished upto 1st April 2001.

(6) In accordance with the commitment with W.T.O 714 goods items was terminated from the list of quantitative restrictions.

(7) The dedication, to continue the security from Anti-dumping and anti-subsidy and duty protection to the domestic industries was also been done.

(8) The maximum limit of foreign equity in the priority given industries was declared to be increased from 40% to 51%.

(9) To promote the exports of State Governments the establishment of the fund of 250 crore also been announced.

The Indian commerce and Industrial ministry revised its Exim policy third time on 31 March 2000. At this time ministry laid the emphasis on the total growth economic reforms. The main objectives of this time was for the purpose to promote the export and to reform the import policy.

The above majors adopted to give the momentum to Export and import reforms. These policies which been directed above by the related ministry have been detailed in following pages.

EXPORT AND IMPORT POLICY-2001-2002

In the Exim-policy of the 1997-2002 Indian commerce and industry ministry had expressed its commitment to open its market as the condition laid down by world trade organisation. During the period of globlisation it had been felt by the related Indian ministry that to give the pace to Economic reforms India should also go on consistent to world Economic policy. Although at this very time this policy has been Criticised by some exports. Yet we decided to give momentum to our economy based on the principles of W.T.O

In accordance with the commitment done in the previous years India abolished the quantitative restrictions of 715 goods on the 1 April 2001. Out of these, 147 products are from agriculture sector, 342 products from textile sector and 226 products are from other sector.

On the same day related authority also proposed for the organisation of permanent group of secretaries for the purpose to keep watch on the import of 300 sensitive goods.

After the abolition of quantitative restrictions, under a special list the import of only six hundred sensitive good have been restricted. Which are related to defence and other sensational areas.

In this policy India has targeted to increase its export to 775 Arab dollars from current 43 Arab dollars up to 2004-05. In the pursuance of this, India also wishes to increase its part in the word-trade from that of current 0.67% to 1%.

India also has the target to get the growth rate of 18% by the year 2001-02.

India has the proposal for the total agriculture export policy and establishment of Agro Economic zones for the purpose to promote the export of the agricultural product for the year 2001-02.

Some agricultural products like wheat, Rice, Macca and other cereals, coconut (Dry) coconut oil have been enlisted in the state trade list.

Except these, the bill for the impermanent quantitative restrictions is under consideration in the parliament.

There is proposal to give the status of structural sector to especial economic zones. And for the concession in income tax like structural sector.

The simplification of the scheme to promote the export has also been done.

(i) The profit of duty exemption scheme and export promotion capital goods also be shared by the agricultural sector.

(ii) Validity period of under the duty replenishment certificate have been extended to 18 months from that of 12 months.

(iii) Under the advance license scheme the right to take advance license was equal to 125% of total export value (FOB value) of previous year.

(iv) Under the advance license scheme 506 new products also have been included.

(v) Under the deemed export the annual advance license has also been permitted.

(vi) Under the export processing capital goods scheme the C.I.F Value of import license has been extended to 100% from 20%.

(vii) Raitionalisation of the rate of duty entitlement pass look scheme also been done.

1- The proposal of market Access Initiative for the propose to increase the partnership of gross domestic product.

2- The proposal of making the dimension of Foreign direct investment (F.D.I) extensive by the self permission of Gross domestic product.

3- The condition of taking the license for the production of products of small sector.

4- The limitation of bringing the export income to his homeland from the units situated in the special economic zones (S.E.Z) has been extended to the 365 days from the 180 days.

Union Commerce and industry minister Morasoli Maran kicked-off the creation of Economic zones at Pipave in Gujrat and Tuticorin in Tamil Nadu modeled on the line of the highly successful Chines experiment.

Making the announcement, Maran also indicated that the government was willing to permit 100 percent fully foreign owned units in these zones, provided that the entire output was exported.

In addition the commerce ministry has indicated that special tax breaks for these zones may be provided by finance minister

Yesvant Sinha when he replied to parliament in the second log of budget session and just before the finance bill 2000 is put to vote.

While special privileges regarding flexible labour loans have been denied for moment, the SEZs will not be subjected to any pre determined value addition export obligation, input output wastage norms and treated as outside customers territory However, any role in the domestic tarrif area by the units in these zones will be allowed only on payment of full customs duties

Commerce ministry officials also explained that unlike care of export processing zones, inter units transfer would be allowed and instead of value added norms the ministry has specified that the criteria would be on the basic of positive foreign exchange earnings calculated in a cumulative basis for the full year.

The proposal, which was conceived by the minister on the conclusion of his recent visit to china, envisages special treatment for the SEZs have been fixed of 400-500 hectares or more. The Existing Export Processing zones would be converted into SEZs even though their area is less than that specified under the new worms.

"Immediately, SEEPZ, Kandala EPZ, Viz EPZ and coding EPZ are proposed to be converted to SEZs" the minister said yesterday, before adding that true was no move to rules labour laws in there zones.

The revenue Department and the commerce ministry had, prior to the announcement, held several rounds of meetings on resolving the sticky issues and have narrowed down their differences.

The latest initiative essentially remodels last years proposal to set up free-trade zones in the country, Modelled on the Jalal ali FTZ located near Dubai the FT2 scheme, was to be operational from July 1, 1999 and entaided corporatism existing EPZs and their subsequent conversion of FTZs Any sales in the DTA were attract 100% custom duties.

However, due to differences to between the revenue department and commerce ministry on the one land and change of the Government immediately after the present time of the Exim Policy last year the proposal stayed on the drawing board.

1. EXPORT PROMOTION

In his maiden policy statement, commerce and industry minister Mursoli Maran has been both innovative and pragmatic. conscious of the economic recovery under way in south-east Asia and the potential challenge and opportunity that if offered, the minister has kicked off special economic zones (SEZs) Modeled along the lines of zones set out in china, the SEZs promise to the minister's sop to exporters in the form of regime free from our forms hairless. Bound by political conditions the minister was not ambitious in proposing a major recast of labour laws.

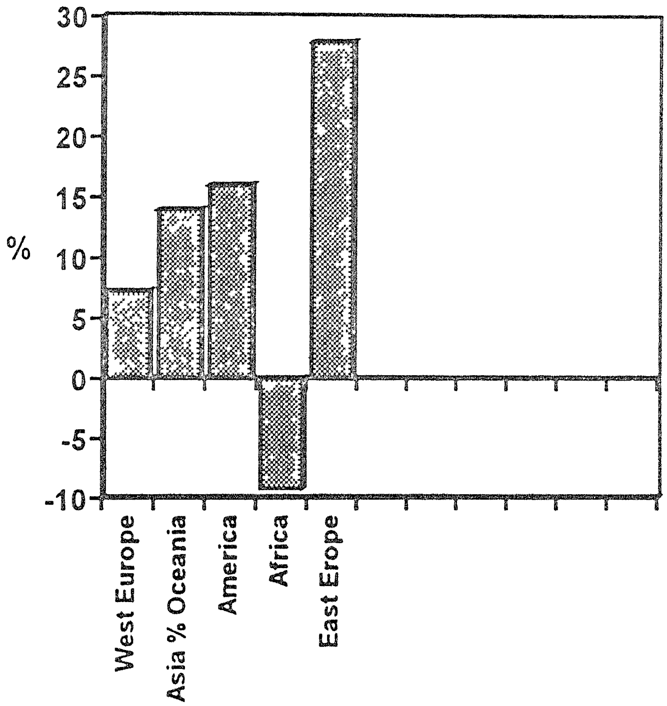
Instead, he sufficed in stating that the SEZs would be treated as a public utility and There spared bank of labour invests.

Similarly, the minister realizing that a shift to an electronic regime was in the offing, has announced the phase out the Duty Entitlement Pass-book (Scheme not only would it do away with a perennial conflicts with the revenue department, it would also consistent with norms laid down by the world Trade Orgaisation (W.T.O). He has also carried the process of withdrawal of quantitative restrictions by adding 714 fresh item to the list. Though , he has taken

care to stagger the sensitive items to the last. At the same time, the mister has attempted to take the export initiative to the states. In this context he has made a modest beginning with an initial corpus of Rs 250 Crore the proceeds of which will be used by states to create the necessary infrastructure.

He has also been careful to soften the below the phased withdrawal of financial incentives by announcing sector specific packages. These have been targeted at sectors in which India has enjoyed traditional advantages. The only surprise is the package for the drugs and pharmaceuticals a sector which the minister clearly believes will be a sunrise industry , especially after the government effects the requisite changes in the country's patent regime.

Chart 8- Global Demand



SOURCES·- Business Standard –1 APRIL-2000

2. CAPITAL GOODS IMPORTS LIBERALISED

The Exim policy 2000 has future liberalised import of capital goods under the export promotion capital goods (EPCG) scheme by extending the facility to all sector and capital goods The policy has

also removed the threshold limit of Rs. 20 crore and withdrawn the 10% countervailing duty on such imports

It has , however, withdrawn the facility of zero duty import under the EPCG scheme.

Under the new policy import of the capital goods under the EPCG scheme will be allowed without any threshold limit on payment of 5% duty.

The capital goods imports facility under the EPCG scheme has also been expanded to some identified services sectors, including the software industry. The software sectors can import software system under the scheme.

The new policy has also Fixed a single periods of eight years for fulfilling export obligation against import under the EPCG schemes earlier export obligation in value terms.

Under the new guidelines, import of capita goods including, fixtures, dies, mould and pares up to 20 % of the cost insurance freight value of the capital goods will be allowed. But this will be subject to an export obligation equivalent to five times the c.i.f. value of the capital goods or free on boarded basis, or four times the c.i.f. values of cap goods on net foreign earnings basis, to be fulfilled on eight years from the date of insurance of license.

The policy stipulated tat the export obligation should be fulfilled by the export of goods manufactured or produced by the use of the cap goods imported the scheme. However if the exporter is processing future to add value to the goods manufactured by these cap goods, the exporter obligation will be enhanced by 50%.

Announcing the various changes in the EPCG schemes, commerce and industry ministry Murasoli Maran said the changes in the EPCG scheme would particularly benefit units in the small scale sector because of the removal of the threshold limit of Rs.20 crore.

Earlier SSI could import cap good under this schemes only on payment of 10% duty.

Under the new policy guidelines the actual user non transferable advance license for physical export and for immediate supply for export will be excepted payment from all kin of duties like basic customs duty, anti-dumping and safeguard duty.

3. BIGGER ROLE FOR STATES MOOTED

The government invalid plans to involved state government to realize the full export potential of the country, and to persuade them to declare units exporting over 50% of their turnover as public utility services.

The government would also set aside Rs. 250 crore for states to create necessary export infrastructure , said commerce and industry minister Mursoli Maran

I am convinced that we must fully involved in states government as is the case in china in the export efforts. Maran said while making the Exim Policy announcement.

I am also proposing to write to state government requesting them to issue notification under the industrial disputes Act to declare unit exporting over 50% of their turn over as public utility services to enable them to keep their international commitment regarding delivery schedules, Maran said

The minister said both , planning commission deputy chairman K.C. Pant and Finance minister Yeshwant Sinha, had offered resources up to Rs. 250 crore for a scheme that would employer state government with necessary resources requisite flexibility and initiative in decision making to make valuable contribution to the export effort by way of creating necessary export infrastructure.

The detail of the scheme will be announced soon, the sum of Rs. 250 Crore was provided at the time of supplementary budget this year.

As for back as 1962, the report of the import and export policy committee has pointed out that there was bank of export consciousness and it was not confined to businessman. Even the state government do not always seen to be alive to the primacy of export promotion and

some of their policies particularly in the fiscal fields have hindered even flow of the export Maran Pointed out.

Even today it is true we have to create an export consciousness among states to tap their full export potential . Foreign trade being a subject in the union list no organized institutional arrangement currently exist for incorporating states into the export effort of the country" Maran said.

4. REPLENISHMENT LICENSE BACK

The government has reintroduced the replenishment license schemes under which a duty free replenishment certificate will be insured to a merchant exporter or manufacture exporter of imposing of input used in the manufacture of goods without payment of basic customs duty surcharge and special additional duty.

Under the scheme introduced in the Exim policy such import will be subject to payment of additional customs duty equal to the prevailing excise duty.

Introduction of the scheme has been a long term standing demand of leading chamber of commerce and export organistion including the Federation of Indian experts organistion.

While details of the scheme will be announced separately by the Director general of foreign trade exporter expect that input material worth about 10% of the total export value may be allowed under the new scheme, under the new policy DFRC will be issued only in respect of the export product covered under the standard input-output norm as notified by the DGFT.

The policy however stipulates that the items imported under the replenishment license scheme should be subjected a minimum value addition of 33%.

The scheme will be available for over 5000 such items where input-output norms exist. The DFRC license are the material imported against it will be freely transferable.

The export product which are eligible for modvate (modified value added tax) will be eligible for cenvat (control value added tax) credit. However, non-excisable non dutiable or non centrally vatable product will be eligible for drawback at the time of export in lieu of

additional customs duty to be paid at the time of input under the DFRC scheme.

Beside the exporter will be entitled for drawback benefit in respect of any of the duty paid material not covered under input output norms. Whether imported for indigenous in the export product or not.

5. SIL TO STAY TILL APRIL 2001

Union commerce minister Murasoli Maran, while presenting the annual Exim policy here announced that the special import license list would be abolished after April 2001and the grant of SIL would be discontinued after march 31,2000.

He also said second hand capital goods that are less than 10 years old could be imported without obtaining any license on the surrender of Sil.

On the abolition of SIL after April 2001 Maran said " it has been abolished because there will be no SIL list after march 31 2001. No Sil will be admissible in respect of exports made on or after April 1."

This marks the end of major incentive to exporter for the past several years sils will could be traded and commanded a premium. Just three years ago the premium was around 15% and 16%. This has however, been coming down and has been hovering between 2% and three percent for most of 2000.

"In respect of the export effected up to march 31, 2001, sil with a validity period of march 31, 2001 will be issued immediately on request without waiting for the realization of export proceed." He added.

Under the new Exim policy all items under the sil can now be imported on surrender of Sil equivalent 5 times of cost, insurance and freight value of imported goods.

The Exim policy stated, "SIL shall be available only for supplies or exports effected till march 31,2000. the validity of such Sil shall be up to 12 month or march 31, 2001, whichever is earlier.

The application by the different categories of exporters, eligible for SIL under the Exim policy and hand-book shall be made in the relevant form prescribed in the hand book. However in such cases realization of exporters proceeds against export effected up to march 31,2000. shall no be insisted upon, he said.

The new policy has allowed 16 items to be imported under sil with effect from march 31, 2000. The list items included raw silk, silk yarn and yarn spun from silk waste put up for retail sail, launches, boats, barges, travelers and other fishing vassals, inflatable yachts, motor boats, canoes and sail boats other than of a kind used for sports.

6. POLICY FOCUS ON PROJECT EXPORTERS

Commerce and industry minister Murosoli Maran announced the policy to encourage project exports from India what was his first export import policy speech. The minister announce that project exporters, construction companies and service producers with a domestic turnover of our Rs.100 crore can now apply for an international services house status.

This can be done by single memorandum of understanding with the directorate general of foreign trade (DGFT)

The memorandum of understanding signatory however, has t undertake to achieve an export performance to the tune of Rs 15 crore a year of the net three years the minister said.

Speaking to business standard, director general of foreign trade N.L. Lakhnpal said, "construction activity abroad is booming and we want Indian project exporters to participate in these."

So we will grant them this status so that they can avail certain special procedural facilities like quick clearance of exports and imports, easier licensing.

Such status is recognize are own the world since it is accorded by the government. The bidder is recognized company and not just a fly-by-night operator.

With engineering goods exports doing well in the recording a 22.3% rate of growth in the first nine months of current financial year, the maximum by any sector.

Between April and November 1999 engineering goods worth $381 million had been exported

7. SPECIAL ADVANCE LICENSE GOES-

The commerce ministry has abolished the scheme of special advance license and transferable advance license in the exports and import policy for 2000-2001.

Commerce minister Murasoli Maran said these schemes are being abolished as part of the rationalisation and simplification of export import procedures. The advanced license was granted to merchant exporters or manufacturer exporter for import of input which were required for export production.

Such items were exempted from payment of basic custom duties, surcharges, additional customs duty antidumping duty and safe guard duty.

Such license were issued for fulfillment of a time bound export obligation as specified by the commerce ministry and had a positive value addition where FOB value of the export were expected to be higher than the CIF value of imports.

Maran said the special advance license for the electronic sector is being abolished since very few exporters were using the schemes.

The advance licensing schemes for physical exports advance license for domestic supply and the advanced license for intermediate supply for export will be subjected to actual user condition and non-transferable. In exceptional cases however the material imported may be allowed to transferred to be merit by the advanced licensing certificate.

Advanced licensing certificate (ALC) for deemed exports will also be allowed to issued for supplies made to the united national orgainstiaon or under the aid programme of the UN or other multilateral agencies and a paid for in foreign exchange.

The ratioinalisation strategy spelt out by the commerce ministry is intended to the existing 4-5 export incentive schemes into two main schemes the post shipment DEPB scheme and the quantity based advance licensing scheme and the REP licenses. The transferable quantity based advance licensed will be replaced with the REP licenses.

In the REP license schemes, the exporter first exports the goods and then as per the input output norms will be entitled to import input at zero duty rates in the REP license system there will be less accounting with no need to keep track of how much export obligation has been met.

8. DEPB TO BE PHASED OUT BY 2002

As a part of a rationalisaton drive commerce and industry minister Murasoli Maran, in his maiden Exim policy speech yesterday announced the passing out of the duty entitlement passbook scheme by 2002.

Taking a cue from the 2000-2001 budget ware yashwnat sinha had abolished 80 HHC –Maraon has begun dismantling the DEBP scheme as part of India's commitment to the world trade organisation to abolished export incentive schemes.

While the pre export DEPB scheme has been abolished with immediate effect, the post export DEPB scheme will continue till march 31,2002. in other words by 2002 the DEPB scheme will be subsumed into one drawback scheme the minister said.

The Exim policy has also removed the threshold limit of RS 20 crore for fixing new DEPB rates. This is expected to make the scheme more accessible for exporters.

Maran also announced assigning of value caps for those products where the DEPB rate is over 15%. Value caps will however not apply to those products that are exported under brand name, but only those branded products which are approved by and inter

ministerial committee in the directorate general of Foreign Trade will be eligible for the benefit.

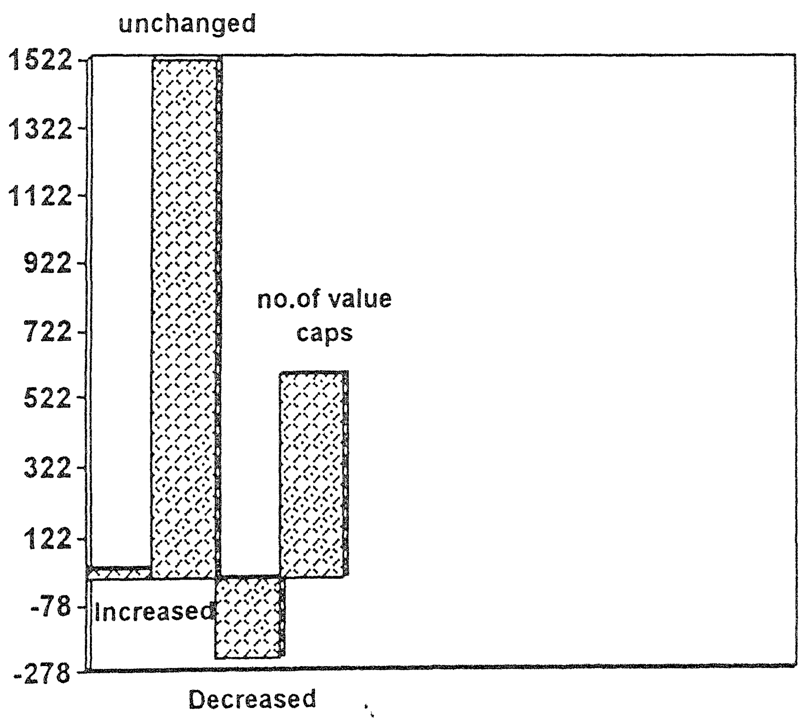
The number of items in the value cap category has been put at 591 with a majority of items belonging to the engineering chemical sector. The minister said the value caps are being fixed and will be prescribed, there will be no system of verifying the present market value in categories where value cap exist.

Meanwhile DEPB rates for some items have been rationalized to account for change in customs duty. While the DEPB rate has been increase for two present of the 1789 items covered by the scheme, the rate has been reduces for 238 of 13% of the items. For a majority 85% or 1522 items of the products covered by the schemes the rate remains unchanged.

Maran also said his ministry is examining ways two streamline the system of refund of taxes and duties on inputs at th time of shipment into the Drawback scheme.

He added that finance ministry will be strengthening the drawback system to extended the facility to as many items as possible and also introduced a system of awarding brand drawback rates A provision for appeal to an interdepartmental is also being contemplated

Chart 9- DEPB DEVELOPMENTS



Source – Business Standard 1, APRIL -2000

9. SPECIAL SOPS FOR EOUS

The commerce ministry has allowed conversion of the export processing zones into special economic zones and special concessions for cent percent export oriented units and export processing zones in the export import policy for 2000-2001.

Commerce minister Murasol maran said among the EPZs to be converted include Munbai, kandla vishakhapatanam and Cochin This is in addition to the two SEZs proposed to be set up in Nangunerry in Tuticorin and Posetra in Gujarat. Beside units having and investment of Rs 5 crore and above in plant and machinery will be allowed to carry out job works domestic tariff are a units in all sectors. This schemes was so for available only for agriculture marine and garment sectors.

In addition these EOU/EPZs units will be required to maintain only positive value addition. In the past they were expected to show value addition on a desegregated basis. Further Maran said EOU engaged in export of granite, marble and other mineral product have

been allowed to move the capital goods outside there manufacturing premised for the purpose of excavation.

EPZ and the new SEZ zones units have been allowed to import studded jewellery for repairs remake and Re-export. For waiving some of tight labour laws the commerce minister said he would communicate with state government. This has been some for the more contentions issues in the past where EPZs units have sought liebrealisation of labour laws. However he ruled out any major changes in the labour laws but has recommended changes in the industrial disputes. Act to declare units exporting more than 50 percent of their turnover as public utilities . this was intended to ensure that units located in EPZs /EOU/ SEZs will not be affected by labour unrest and allow them to meet delivery schedule.

In the SEZs units will be given full flexibility for export production. They will also be allowed to import capital goods and raw materials duty freed including form domestic tariff area without payments of terminal excise duty, no permission would be necessary

for inter units safe or transfer of goods between units located in the SEZs He also said there would be no wastages or output/input norms. In addition units in the new SEZ + EPZs converted to SEZ will be allowed to undertake job work for D.T.A. units and also get their goods processed in D.T.A. the only condition that will applied is that the units in the SEZs will have to export their entire production and sales in D.T.A. zones will be permitted only on payment of full applicant customs duties and additional duties without any concessions he also laid states would be motivated to generate move exports. For the purpose a special scheme will corpus of Rs 250 crore will be provided by the planning commission for the states for creation of export infrastructure.

10. IMPORT CURBS OF 714 ITEMS

The government announced the removal of quantitative restriction on 714 item including coffee, tea, and tobacco, paper. Fabrics watches, sewing machines and photographic, film, with effect from April 1.

It however, retained the more sensitive consumer goods-like liquor, cigarettes and automobiles and bulk of items under agricultural on the restricted list of the imports said the commerce and industry minister Murasoli Maran.

Also as the ministry of commerce data, shows, there is no relationship between the opening of economy and the growth of imports.

The growth rate of imports declined sharply our the latter part of the nineties, while the cumulative number of items removed form the quantitative restriction list has gone up from 6161 in 1996 to 8066 in 1998-99.

Out of 714 item freed from quantitative restriction , 58 are reserved for the small scale sector. In the agriculture sector quantitative restriction hence been remove form 229 items, while in the textile sector , 37 items have been move of the restriction 438 have been freed from the other manufactured items categories.

Quantitative restriction on the 1429 items still remaining under the Q.R regime are to be removed by April 1 2001 as per the ruling of dispute settlement panel of the world trade agreement.

However, the quantitative restriction in respect of these 1429 tariff lines were withdrawn preferentially for import from countries belonging to South Asian Association for Regional cooperation from August 1998 itself.

Industry has nothing to fear tariff protection while continue to be available on all items " said maran will announcing Export import Policy for 2000. but the industry should consider this as an opportunity and initiate steps to increase their competitiveness.

While conceding the need to be more alert in this context he said adequate protection under antidumping and anti subsidy mechanism would be available in the vent of unfair trade practice which could cause injury to Indian industry will be given protection against dumping subsidization of exports by other countries or a surge in imports the minister said. The safeguard directorate and antidumping

directorate which has been strengthened to make if effective could be approached by the industry for any relief he added.

However the minister conceded the need to strengthen the tariff commission to act as an independent expert body to advise on such matters.

There is a need to evolve an institutional mechanism to study, analyse and recommended appropriate tariff structure to maintain balance between the interest of the 'producers and consumer's' he said.

In the agriculture sector 91 items have been removed form the restricted list to the free list and 137 from the special import license list to the free list 34 items in the textile sector have been removed from restricted list and 13 from the special import license list. Under the head of other manufactured items, 105items have been moved from restricted to free and 481 from the special import license to the free list.

In last year's Exim policy, the government had made import of 894 items license free and put 414 items on the special import list.

Quantitative restrictions for imports maintained on balance of payment ground were notified to W.T.O. in 1997 for 2714 tariff license at the eight digit level.

In view of the improvement in the Bop position the committee for Bop restriction had asked India for a phase out plan for these quantitative restriction.

An agreement has been realized with all the maintained partners except for the US to phase out the quantitative restriction our a period of six years beginning 1997.

The US however took India to the dispute settlement panel of the WTO.

Fallowing the report of the panel an the appellate body Indian and the US have agreed to a bilateral settlement for determination of

reasonable period of time up to April 1 2001 within which India has to implement the ruling and recommendation of the dispute settlement body to remove the existing quantitative restrictions in a phased manner.

11. CARS STAY ON NEGATIVE LIST

Automobiles including motor cars and public transport passenger motor vehicles will remain on the restricted list of imports, dispute representation form some multinational companies to allow import of passenger cars. The new negative list now contain 715 items.

In addition to passenger cars, jeeps and land rover will also remain on the negative list of imports racing cars will also continue to be on the restricted list.

While import of several agriculture goods have already been freed, import of items like cereals wheat, rice, pulsed are still restricted . Milk food for babies concentrated or containing added sugar or other sweetening maters of fat content by weigh not exceeding 1.5 percent,

butter derived from milk potatoes, cooked or uncooked have also not been removed form the negative list of imports.

Fuels like motor spirit including aviating spirit, diesel gas oil an other gas oil are still on the negative list, urea and other fertilizer will remain in the negative list.

Import restrictions will continue on fabric like woven fabrics, bed liner, leather foot wear, sanitary wear, kitchen wares an other make up articles.

Other items that will remain in the negative list include meat, diary spreads, melted butter fresh cheese including why cheese and curds, coffee, tea, cardamoms, and specified crude drug are still on the negative list.

For meat and meat products, meat an edible offal of sheep's rabbits , turkeys, poultry, hams, shoulders and cuts are among the items

that are still on the list of items on which import restriction will continue.

Beer made form malt, sparkling wine port an other still red wined sherry and other white wines warmouth whisky, rum, tafia, gin, vodk liqueurs an cordials are on the negative list of imports, in addition other under nurtured ethyl alcohol of an alcoholic strength of volume less than 80% and other spirituous beverages are also on the negative list.

For consumer electronics, radios, broadcast receivers, cassette player, colour and black and white television are also in the restricted list of imports. Import restriction will also be continue on diamond, including industrial diamonds also.

Natural fibers including silk warm cocoons suitable for reeling raw on mulberry silk, silk yarn not put up for retail sale, fabrics of no silk, coconut textiles fibers, coiryarn carpets other textiles floor

covering an tuffed textiles fabrics will also remain n the negative list of imports.

Plastic molded suitcase paper cut to size envelop letter card, other paper stationery for correspondence, toilet paper remain on the restricted list.

B. NEW EXPORT AND IMPORT POLICY OF INDIA (2002-07)

Foreign trade or International export is important measure to keep on economic growth of any country. India is vast country it is compelled to have imports of foreign goods on large-scale. But it is tragedy for the Indian trade that it does not manifests its impressive presence in the Foreign export. At present the participation of Indian export in the International trade is 0.671 percent which requires its enhance upto 1.1 by the coming few years.

Unlike the previous efforts India have targeted to promote its foreign export. This is the first time when Indian policy makers

have paid the attention specially on export growth. It is important to notice that under the international trade we had the export relationship mostly with America (U.S.A) and other western countries. Where the Indian goods could not compete with these countries.

This is first time when we have tried to have the export relationship with other than, the above said countries, like South America and some countries of African continent as well as the countries originated from the disintegration of Soviet Union. Although we had the trade relationship with these few countries but is was nominal. Where as the small houses industries, artisans and craftsmanship is concerned this is the first time when the various areas has been identified where the goods will be exported. As Tipura in Tamilnadu for Hoisery Woolen blankets for the Panipat in Hariyana, and woolen clothes for Ludhiana in Punjab. Here, it is also important to notice that for the domestic and artisan sector special policy has been declared.

In the new Exim policy (2002-07) the village oriented export promotion has been stressed but it does not mean that electronic and hardware industry has been left out. It has been seen that Indian is pioneer in software export but in the hardware export it is not so basic reason behind this is, the western countries, and Japan, South Korea and America have much progressed in the electronic and hardware industries. Even though, in the new policy India has taken measure to earn enough from the export in the electronic and hardware sector, and the special package has been prepared for this.

According to commerce and industry minister, this is the first time when permission has been given to Indian banks to open the branches in other countries to make the special export zone competitive. Under this permission, the branches has been given the concession in the rules of cash reserve ratio and compulsory cash reserve. With the consent of Reserve Bank of India.

In the special economic zones, the foreign commercial debt. has been permitted for the period of three years. The extensive

rules and regulation will be prepared with the concerns of Reserve Bank of India. Except this to reduce the working cost of export the process of the office of Director –general foreign-trade, custom duty and Banks will be simplified. Central excise and custom duty Board and Director general of statistics and commercial information will classify the goods of export and import. With the adoption of this combined classification the disputes between Director – general of foreign trade and central excise and custom duty Board will be reduced, which will lesson the adverse effect of export and import of India.

Thus we see, the new five year plan of export and import policy lays the stress to take the new steps in different directions. It concentrates to increase the export of Indian goods. In this new policy (2002-07) the India's participation in the world trade will not concentrate America and some European countries only but it will be directed to the countries of south – America and Africa also because here is more chances for Indian goods to be consumed. This policy lays the emphasis on to include the banks more than before and to end the

license system and to give the relaxtionsion in the government restrictions.

Most important is the fact that this policy is export oriented than the import. It has the special attention on the export of agricultural products. For this the transportation facility will also be provided. Activity related with agriculture will also be decentralised on the basis of above policies the growth rate has been expected 11.9% per year. Which Percepts to the target of Indian policy makers the participation of Indian the world trade 1% from that of 0.67% of current finance year. As a conclusive live we can say that this new Exim policy is the policy of high ambitions. Which is to be examined. It is after the examination, we will be whether it fulfills the necessity of Indian trade or not.

C. THE NEW EXPORT AND IMPORT POLICY (2002-07)

AT A GLANCE

1. Except some sensitive goods the quantitative restrictions have been abolished on all export products.

2. Development of the concept of African focus to promote the export to African countries.
3. Provisions to make the labour-laws elastic in special economic zones. And the goods going to special economic zone will be considered as export.
4. Special Economic zones will be under the Public Services.
5. Duty Entailment Pass book, Export Promotion Capital goods and other export promoting scheme have been left as it was.
6. Special encouragements to Industrial clusters.
7. The import of rough Diamonds without license on zero custom duty.
8. The period of export income in the export earning foreign account with hundred percent foreign money has been extended to 360 days from 180 days.
9. The facility of transportation to agricultural products.
10. The target of 11.9% annual growth rate.

In the export –import policy 2001 Government had ended the quantitative restrictions on 715 goods while in the year 2000, 714 goods were given the facility of the import restrictions.

In the international trade, India to make its export and import convenient have launched the new economic scheme in the different parts of the country in the pursuance of chines special economic zone model. Which is known as special economic zone model. The units working in this sector will be kept out of the custom duty. On November 1^{st} 2000 Kandla, santakruj, kochchi and surat have been converted into the special economic zones.

CHAPTER-5

COMPARATIVE STUDY OF
EXIM BANKS
IN FEW SELECTED ASIAN COUNTRIES

5

CHAPTER

COMPARATIVE STUDY OF EXIM BANKS IN FEW SELECTED ASIAN COUNTRIES :-

Though Exim Bank of India is catering the needs of foreign trade of India and it functions differently. But at the same time, there are obviously important similarities in operations of all the banks. The purpose of this final chapter is to undertake a comparative analysis to identify commonalities and differences between the Asian Export credit agencies (ECAs) and also to have changed over time. Besides providing useful benchmarks for existing ECAs such an analysis holds valuable lessons for younger ECAs or those countries intending to establish such institutions.

5.1 EVOLUTION AND ROLE OF EXIM BANKS IN ASIA

A snapshot picture of the Asian Exim Bank current financial facilities does not offer adequate insights into the changing roles and functions of each institution since establishment. For this purpose. It is necessary to look at the various phases of their development and the relationship of their to the domestic and external environment and the needs and policies of each of the economies. To undertake such and exercise on comparative basis, this section examines the evolution of the Asian Exim Bank during each of the decades since the fifties.

(i) The fifties and sixties. the first ECA in Asia

The oldest ECA in Asia, the Export-Import bank of Japan, was set up in 1950 as a measure to reconstruct Japan's war-ravaged economy by promoting the Export of ships and heavy machinery. In fact, originally its name was the Export bank of Japan to reflect these objectives. Initially, because of the severe problems faced by Japanese companies in raising financial resources, the bank's main function was

to provide "production finance" for the manufacture of Export products However, soon, deferred payment export finance became the primary focus of the banks operations Though the bank began offering import loans two years after establishment, the relational was very different from the objective of its current import facilities In the early fifties, Japanese companies were facing severe difficulties in procuring raw materials (which had to be Imported, given the resource poor character of the Japanese economy) Thus Import loans were offered to alleviate this constraint. This also provided the justification for the extension of financing for overseas raw materials development projects. However, import loans were very limited in magnitude and Export loans remained the primary focus of the bank until the mid-seventies Japanese companies also began to invest overseas as early as the fifties in order to gain access to overseas markets which were being closed to imports because of the policies of import substitution being adopted by many developing countries. Exim Bank of Japan began providing financing support for such overseas investments in the fifties. However, because Japan's balance of payment position was not comfortable at that time, such finance was provided cautiously and to a

very limited extent During the sixties, exim Japan also began extending bilateral government loans as part of the Japanese government's foreign aid policy

(ii) The seventies. emergence of ECAs in the NIEs

Exim Bank of Japan's position as the sole ECA in Asia ended in the mid seventies when the Export-Import Bank of Korea was established in 1976 as an instrument for implementation of the government's strategy of promotion of heavy industries through provision of term export finance. One major difference compared to exim Japan, was the involvement of the Korean Exim Bank in Export insurance. Since the early stage of its establishment, the bank has also operated financial schemes for overseas investment and the development of natural resources abroad Provision of finance for overseas resource development since the early years was understandable, given the paucity of natural resources in Korea (just as in Japan) which meant dependence on supplies from overseas However the magnitude of credits for these purposes was minor and

consisted predominantly of term finance for Exports (besides Export insurance)

During the late seventies (in 1079), the Export-Import bank of the Taiwan was set up Just as in Korea, the bank was expected to play an important role in the strategy of deepening the industrial base and promoting Exports of heavy industries, the main focus of the bank was on term Export credit. Another similarity with the Korean Exim Bank was that the Exim Bank in Taiwan also assumed the responsibility of providing Export insurance services.

As regards Exim Japan. The seventies represented a watershed in its evolution arising from a dramatic change in the domestic and external economic environment. Rapidly accelerating Exports from Japan during earlier decades resulted in large current account surpluses and demands from trading partners for opening up of the Japanese market to rectify trade imbalance The Japanese government responded by adopting policies like reducing the emphasis on Export growth, introducing measures to promote Imports, capital liberalisation policies and enhanced foreign aid. The impact on exim Japan's activities was enormous The emphasis on Export loans declined considerable during

the seventies while finance for other activities like manufactured goods Imports, overseas natural resource development and overseas investment expanded vigorously The Importance of such non-Export related programs increases non-Export related programs increased for very different reasons form the motivation for introducing them during the early fifties Finance for Imports rose mainly because of the government's policy of Import promotion to correct trade imbalances with other industrialised countries. Overseas investments expanded vigorously. The Importance of such non Export related programmes increased for very different reasons form the motivation for introducing them during the early fifties, finance for Imports rose mainly because of the governments policy of Import promotion to correct trade imbalances with other industrialised countries Overseas investments by Japanese companies grew sharply because of the declining competitiveness of domestic production (with rising domestic labour costs) and the government's active promotion of overseas investments as a means of reducing pressure on the yen to appreciate Moreover, developing countries were also adopting a welcoming attitude to foreign investment which facilitate joint

ventures by Japanese companies, credit for overseas natural resource development also grew rapidly during the seventies, because of the need to develop new sources of raw materials for the Japanese economy (particularly after the oil crisis exposed the vulnerability of the economy to Imported Raw materials) Another Important development was that, in the mid seventies, the banks handling of government loans was taken over by the newly created overseas economic cooperating fund.

(iii) The eighties. the first ECA in a non-NIE developing country

The eighties witnessed the birth of the first Exim Bank in a developing country, excluding the NIEs (newly industrialised economies). The Exim Bank of India was established in 1982 and was conceived by Indian policy makers as an important instrument of export promotion, as part of the increasing policy thrust on export. At the time of inception the bank operated programmes related essentially to term postshipment export credit. The bank also offered preshipment credit (for Indian exporters) and overseas investment finance for

Indian joint ventures overseas though the value of assistance extended for these two activities were minor However, the bank realised at early stage that it could not tread the same path as export credit agencies in industrialised countries. Thus, during the eighties, the bank became increasingly involved in the financing of other segments of the export business cycle like investment, production and marketing. The major constraints on Indian Exports related to production in contrast term Postshipment Export credit was relevant only for a relatively small segment of Indian Exports, primarily engineering and capital goods Exports, therefore, provision of investment finance by Exim Bank has been a natural strategic move to encourage investments in internationally competitive, export oriented projects The Bank has also emphasised the provision of Preshipment credit to assist in the Export production process. Inadequate Export marketing efforts by Indian Exporters were also perceived by Exim Bank as critical failure explaining slow export expansion in more demanding industrialised markets Therefore, since the mid eighties, the bank has been offering finance for the range of activities relating to Export marketing and Export product development Furthermore, since medium and long

term Export finance is not relevant for a large number of Indian Export products, the bank has also been active in short-term Export finance to remove constraints in availability.

Rapid economic growth and export expansion in Korea had repercussions which forced the Exim Bank of Korea to diversify its operation markedly during the eighties by increasing its support for overseas investment and introducing Import finance, in the first instance Korea's highly successful Export performance led to large current account surpluses and significant appreciation of the won Economic growth also led to a substantial increase in wages and, consequently, the labour costs for Korean firms This provided the impetus for a marked expansion in Korean direct investment overseas during the mid eighties, to take advantage of lower labour costs, especially in Asian countries. Moreover, trade barriers of Korean Exports also caused Korean firms to set up units in developed countries to preserve and expand their overseas markets. Further, Koreas current account surpluses forced policy makers to implement measures to increase Import, to a certain extent, such policies were motivated by pressure from major trade partners for opening the Korean market to

overseas Imports. The current account of surplus also led to liberalization of overseas investment by the Korean government. The bank also began performing the role of an overseas development agency in the mid eighties by administering the economic development cooperation. Fund, which was entrusted by the government to promote cooperation with developing countries. As regards the Exim Bank in Taiwan, a major development during the eighties was the introducing of overseas investment credits to support the growing involvement of Taiwanese companies in joint ventures overseas. just as in Korea, the Exim Bank in Taiwan also became involved in the governments development assistance by extending credits on behalf of the international economic development and cooperation fund set up in 1988.

The eighties witnessed a further sharp drop in the role of Export loans in Exim japans operations. Even in absolute values, loan commitments for Exports dwindled from 538 yen bn. in 1980 to 131 yen bn. in 1989. Loans for overseas investment continued to grow as yen appreciation made domestic manufacture of various products uncompetitive and induced Japanese companies to set up production

facilities overseas. This was also prompted by the government's encouragement to Japanese companies to invest in industrialised countries. Loans for manufactured Imports also grew in tandem with the government's continuing policy of Import promotion as a measure to rectify trade imbalances. However, the most striking feature of exim Japan's operation during the eighties was the emergence of "untied loans" as the largest area of activity, this was again very closely related to the governments policy of playing an important role in tackling the debt crisis which had enveloped the world economy after payment defaults of various south American countries. Japan's current account surpluses make it the natural candidate to take the initiative in assisting debtridden countries in overcoming their severe liquidity problems. Exim Japan provided huge and increasing amounts of untied loans during the eighties, as it became the leading vehicle of the US $ 65 bn. Fund recycling program that the government had established. by 1989, loan commitments for untied loans were about six times those for Exports. Another highlight of exim japans activities during the eighties was the addition of equity participation to the bank's functions in 1989

(iv) The nineties: ECAs born in Thailand and China

In 1994, two new Exim Banks were established in Thailand and China. Both these banks are also involved in Export insurance activities Export finance mechanism could not keep pace with the dramatic growth and diversification of Exports in these countries since the seventies and the Exim Banks were expected to rectify this situation. Though it offers traditional term Export credit for capital, the Exim Bank in Thailand is intimately involved in short term Export credit, particularly preshipment credit. This is understandable, given the fact that most Thailand manufactured Exports require short term Export credit. The Thailand Exim Bank is also involved in financing of domestic investments, overseas investment finance, medium term credit for certain agricultural Exports and financing facilities for Exports of Thailand services, as regards the Export Import bank of china its finance during the first year of operations consisted entirely of term supplier's Export credit, though it had initiated steps to commence buyer's credit The business of on-lending foreign government loans which was entrusted corporation for foreign economic relations and

trade (FOTIC) has also been transferred to the Export Import bank of china along with the relevant assets, credits and liabilities

During the nineties, Exim Japan has continued to emphasise untied loans and those for Imports and overseas investments. The focus of untied loans is on areas like infrastructural development The bank has even provided loan to an industrialised country The bank has also introduced bridge loans and provided short-term funds to foreign governments to enable them to pay debt arrears and regain access to international institutions and financial markets The bank has begun financing BOT (build-operate transfer) projects in response to the growing trend of privatisation in infrastructural sectors, especially in Asian countries The provision of finance under the BOT system involves the acceptance of project risk with out obtaining repayment guarantees from either the foreign government or other organisations.

A major development affecting the operations of the Export Import bank of Korea during the early nineties was the decision to transfer the Export insurance activities to the newly established Korean Export insurance corporation, because of the growth in insurance business The Bank also continued to emphasise loan for Imports and

overseas investments. For instance, a major decision was taken in 1990 to broaden eligible items for Import credits from conventional raw materials to include some finished products.

The Exim Bank of India has continued to diversify into other financing facilities relating to Exports during the nineties- for instance, preshipment credit in foreign currency, financing vendor development activities by large companies including Export and trading houses, facilitating forfeiting by intermediating between overseas forfeiting agencies and Indian Exporters, financing foreign joint ventures in India and offering various Import lines of credit, such new types of financing programmes (as well as promotional efforts, described later) are also meant to support the economic liberalisation policies which the Indian government has been implementing since mid-1991, these liberalisation measures (which have involved, for instance, drastic reduction in ~~ink~~ control~~s~~ on Import, industrial licensing, technology transfer, foreign investment flows and foreign exchange utilisation) have greatly encouraged globalisation to the Indian economy. Thus, exim India's new initiatives since 1991 are aimed at supporting the

globalisation effort of Indian companies especially in the Export production, technology transfer and foreign investment.

During the nineties, the Importance of credits in the operations of the Exim Bank in Taiwan has grown, so that, by the mid nineties, Import credits has emerged as the single most Important program accounting for 45% of disbursements.

5.2 POLICY CHANGES AND ECA RESPONSES :-

The above discussion of the evolution of the Asian ECAs has been undertaken chronologically during the three decades since the seventies, based on their historical evolution, it would be useful to highlight the responses of individual ECAs to policy changes and the macro-economic environment. The present study throws light on comparative study of Exim Banks in the following countries :-

5.2.1 (i) Japan

When exim Japan was set up in 1950, the national objective was post war recovery of Japan through a strongly Export oriented strategy. The Bank played an Important role in this effort by financing the

Exports of ships and heavy machinery. When Japan's balance of payments position improved dramatically and there were burgeoning current account surpluses during the seventies, promotion of Exports was no longer dominant national objective. Japan,s trading partners demanding liberalised imports, growing numbers of Japanese companies began setting up ventures abroad (partly because of rising domestic labour costs) and there was need to develop new raw material sources to support Japanese economic growth. Exim Japan changed track by greatly increasing its emphasis on finance for Imports, overseas natural resource development and overseas investment, which were now area of national priority. The bank also began promoting overseas investment through research and information dissemination, during the eighties, Japan's continuing and enormous current account surpluses led to the governments decision to play an Important role in alleviating the debt crisis in which many developing countries were caught. Exim Japan was the leading vehicle chosen for providing huge amounts of untied loans to various developing countries as part of the initiative to recycle Japan's current account surpluses. During the

nineties, the bank has moved a step further in fulfilling this national priority by extending short term bridge loans to debt ridden countries.

5.2.2 (ii) Korea

When the Exim Bank of Korea was established in the mid seventies, the national priority was to vigorously promote Exports, especially those from select heavy industries Therefore, during the first decade of operations the bank focused almost single-mindedly on Exports of capital goods and ships The bank was also the source of Export insurance The transformation of the Korean economy through rapid economic development and Export growth led to new national trends and priorities. Rising wages won appreciation and protective barriers to Korean Exports induced growing numbers of Korean companies to set ventures abroad during the mid-eighties. This trend was obviously in the national interest and the government undertook capital account liberalisation and adopted policies to encourage such overseas investments. Exim Bank of Korea also responded to this national priority by increasing its emphasis on overseas investment loans. It also began undertaking substantial promotional efforts for this

purpose through its oversea investment research institute Another Important National Priority was to increase Imports partly because of pressure from trading partners (and Korea's current account surpluses) and also the growing need for raw materials for the economy the Exim Bank of Korea has been meeting these needs since the late eighties through its Import credit program. in recent years the government has also been attempting to encourage the growth of small and medium sized enterprises (SMEs) which are considered a key element in Korea future international competitiveness. This is partly to correct past policies, which have unduly favored large corporate groups and trading houses The Bank has responded to this policy objective by paying greater attention to raise the ratio of overseas development assistance to GDP, in preparation for joining the OECD. In this context, the bank's operation of the government's economic development cooperation fund is an important aspect of its role in meeting national priorities

5.2.3 (iii) Taiwan

When the Exim Bank of Taiwan was set up in 1979, the national priority was to promote Exports and deepen Taiwan industrial base.

Therefore the bank fulfilled this objective by financing the Exports of heavy industries and shipping and by providing Export insurance. the national goal of rapid industrialisation (especially attaining international levels of competitiveness in heavy industries) has implied adoption of policies to enable easy access to Imports of raw materials sophisticated equipment and advanced know how. In this context the bank has responded by emphasising credits for Imports. just as in Korea, rapid economic growth and industrialisation, led to increase oversea investments by Taiwanese companies, which has also been encouraged by the government. The Exim Bank has also responded through extension of overseas investment credit. The bank has also been playing a role in fulfilling the regions external development assistance policies by administering the government fund for international economic development and cooperation.

5.2.4 (iv) India

When the Exim Bank of India was established in 1982, Indian policymakers were attempting move away from the Import substitution bias of past economic policies and encourage Export growth

particularly of non traditional manufactured products. During the eighties, the bank introduced a very large number of financing programs to bridge caps and address financing constraints faced by Indian Exporters, as a result unlike conventional ECAs the bank began offering finance at all stages of the Export business cycle i.e product development, investment, production marketing, technology transfer as well as Export credit. The bank also placed enormous emphasis on promotional activates apart from its financing operations. Thus, the bank has been providing a variety of information and advisory services to promote Exports, technology transfer, quality improvements etc. since mid-1991 Indian policy makers have introduced sweeping economic. Reforms and liberalisation measures which have greatly encouraged globalisation of the Indian economy. Responding to these liberlisation policies, the Exim Bank has taken a number a new initiatives during the nineties to support the globalisation efforts of Indian companies, especially in the areas of Exports, Imports for Export production, technology transfer and foreign investment.

5.2.5 *(iii) Thailand & China*

Since the Exim Bank in Thailand and china were set up only recently in 1994 it would be premature to outline their response to changing policy regimes and environment.

This comparative examination of the evolution of the Asian ECAs during the past few decades and their responses to policy changes reveals how they had to adapt their functional to the environment and national requirements. thus , with the emergence of current account surpluses, Exports are no longer a top priority in countries and regions like Japan, Korea and Taiwan and the Importance of Export credit has declined. Instead, policy makers are actively involved in promotion of Imports in these countries and regions and their ECAs have also been emphasising Import loans. Similarly rising domestic labour costs and currency appreciation has led to growing oversea investments from these countries and regions and their ECAs have been providing various types of financial support. the paucity of natural resources in Japan and Korea has also prompted their Exim Bank to increase their emphasis on overseas projects involving natural resource development and Imports. in the case of

exim Japan, a striking diversification has been the extension of untied loans in support of the governments policy of utilising current account surpluses to provide financial support to developing countries, Export growth remains a high priority goal for economic development. Therefore, ECAs in India, Thailand and china have focused their attention on promoting Exports through finance. in fact, the need to utiliseall possible financing mechanisms to promote Export capabilities has motivated the ECA in India to go beyond provision of term postshipment credit and operate schemes involving short term Export finance, pershipment credit, investment loans, Export marketing finance and technology transfer. This has also been necessitated by the lack of adequate availability of such finance from other sources, because of various imperfections in the domestic capital market, in recent years, exim India has also been attempting to provide strong support to the globalisation efforts of Indian companies induced by India's post 1991 liberalisation drive.

5.3 CURRENT FINANCIAL FACILITIES:-

Heaving undertaken a comparative evaluation of the evolution of the Asian ECAs during the past few decades, the following Chart provides a snapshot picture of the current financial facilities which individual institutions offer.

The chart reveals that while all the Asian Exim Bank extends term post-shipment Export credit, there are major differences in the other types of finance, which is on offer. The commonalities and differences are highlighted below:

- all the Exim Banks extend term post-shipment Export credit and various types of guarantees.
- the ECAs in Taiwan, Thailand and China are also involved in Export insurance
- the Exim Banks in Japan, Korea, Taiwan and India offer Import loans and credit for Export of technical services
- the Exim Banks in Taiwan, India and Thailand extend short-term Export credit

- the ECAs in India and Thailand are also involved in investment finance and pre-shipment Export credit
- all the ECAs (with the exception of the one in China) provide overseas investment loans and overseas project credits
- only the Exim Bank of India offers Export marking finance
- Exim Japan is the only Asian ECA providing untied loans
- the Exim Banks in Japan, India and Thailand are involved in equity investments
- the ECAs in Japan and the two NIEs (Korea and Thailand) are involved in development assistance.

Besides, some of the ECAs operated unique programs not offered by the others. Exim Japan provides bridge loans (to governments etc.) and purchases bonds issued by foreign institutions. The Exim Bank of India provides finance for Export vendor development, Export product development, consultancy studies, deemed Export, etc. and also assists in for fainting. The Exim Bank in Thailand negotiates Export bills and provides term credit for some types of agricultural Exports. The Exim Bank in China on lends foreign government loans.

The reasons for the commonalities and difference have already been spelt out in the historical perspective which has been provided earlier However, it is Important to note that while, currently, most Asian ECAs offer a wide ranging variety of loan facilities, there are obviously some facilities which are much more Important than others in terms of the extent of financial assistance provided The earlier section on evolution of the ECAs has already highlighted the changing Important of various facilities during different phases if development of individual institutions. However, to provide a Importance of different programs currently, the following chart provides details for 1994/95

5.4 EXPORT PROMOTION ACTIVITIES:-

While provision of financial facilities is the main function for the Asian ECAs, many of them are also involved to a significant extent in other kinds of promotional activities The specific kinds of promotional activities undertaken by the ECAs for which information was available are described in the chart below It will be observed that

the ECAs in Japan and Korea are mainly involved in the promotion of overseas.

ASIAN ECAS- MODE OF PROVISION OF FINANCE ASSISTANCE, 1994/95.

Export-Import Bank of China:- During 1994, financial assistance was extended through supplier's Export credit. In 1995, the Bank formally began business on- lending foreign government loans.

Export-Import Bank of India:- The major programmers in terms of disbursement in 1994-95 of medium and long-terms assistance were post-shipment supplier's credit (29%), production equipment finance (22%), and loans of Export oriented units (10%). Short-terms disbursements were dominated by foreign currency pre-shipment credit.

Export-Import Bank of Japan:- In 1994/95, export loans constituted only 23% of commitment. Untied loans were the most Important operation, representing as much as 46% of commitments. Overseas

investment loans were also as Important as Export loans, with a share of 21% of commitments. Import loans accounted for a 11% share.

Export-Import Bank of Korea:- In 1994, Export credit accounted for 84% of disbursements. The shares of Import credit and overseas investment credit were 7% and 9% respectively.

Export-Import Bank of Taiwan:- During 1994, term Export credits accounted for only 18% of disbursements. The share of term Import credit was much larger at 45%. Overseas investment credits and shipbuilding credits accounted for 10% each of disbursements.

Export-Import Bank of Thailand:- Adequate information on the shares of various facilities in assistance was not available.

Export-Import Bank of China:- The Bank provides project evolution and Export-Import advisory services.

Export-Import Bank of India:- Exim Bank provides information and advisory services to enable Exporters to evaluate international risks, export opportunity and competitiveness These include country studies, merchant banking services, advice on international marketing and data to enable effective participation in opportunities offered by project financed by multilateral institutions. Research and analysis is carried out on specific industry subsections with Export potential and international trade related subjects These research studies are published in occasional paper series The Bank also disseminates information and analysis through its quarterly publication Export advantage. Recently, the Bank opened an Eximius Centre equipment with state-of-the-art hardware of offering training facilities to Indian enterprises. The Bank has also been attempting to promote up gradation of quality standards by Indian companies to attain international levels of excellence. The Bank supplements its wide range of financing programmes with an integrated set of related services.

Export-Import Bank of Japan:- The Export-Import Bank of Japan has established a Research institute of Overseas investment which undertakes research on the overseas investment activities of Japanese firms and on political and economic conditions in various countries Besides providing necessary information and analysis for the Bank's financing activities, this research is also disseminated outside the Bank Consulting services are also provided to Japanese firms planning overseas investments through the overseas investment consulting office. The Bank also set up the Japan institute for overseas investment (JOI) in 1991.To promotes overseas direct investment by Japanese companies JOI collect and analyzes related information and distributed such data to Japanese companies and financial institutions

5.4 PROMOTIONAL ACTIVITIES OF ASIAN ECAS

Export-Import Bank of Korea:- The Bank established an overseas investment Research institute in 1988 to meet the demands of Korean firms for information on the investment environment abroad, as well as to support the Bank's finance activities. The institute undertakes research function such as studies on the economies and investment

environment of developed and developing countries, surveys on major industries, general trends in the domestic and international economies, and in-depth studies on overseas investment policies. The institute guides investors planning overseas projects and provides them with comprehensive information. The Bank also sponsored seminars on behalf of the EBRD, Word Bank and IFC to encourage Korean firm to participate in international projects financed by these agencies.

Export-Import Bank of Taiwan :- The bank established an overseas Investment research institute in 1988 to meet the demands of Korean firms for information on the investment environment abroad as well as to support the banks financing activities. The institute undertakes research functions such as studies on the economies and investment environment of developed and developing countries, surveys on major industries, general trends in the domestic and international economies, and in-depth studies on overseas investment policies. The institute guides investors planning overseas projects and provides them with comprehensive information. The bank also sponsored seminars on

behalf of the EBRD, World Bank and IFC to encourage Korean firms to participate in international projects financed by these agencies

Export-Import Bank of Taiwan : To assist Export market development for Taiwanese Exporters and to offer Exporters credit information service on foreign buyers, the bank has expanded its credit check services for clients and is also developing credit information networks for Africa, Eastern European, Latin America,

The Middle East and Oceania The bank the ADB recently jointly sponsored a seminar to assist local companies to participate in procurement, tender, and technical business related to ADB loans.

Investment efforts of national companies, in consonance with the Importance of such investment for their economies. Promotional activities of other ECAs, particularly the Exim Bank of India, are basically oriented at enhancing Exports

5.5 FINANCIAL ASSISTANCE: -

There are considerable differences in the magnitude of financial assistance provided by various Asian ECAs. These differences arise

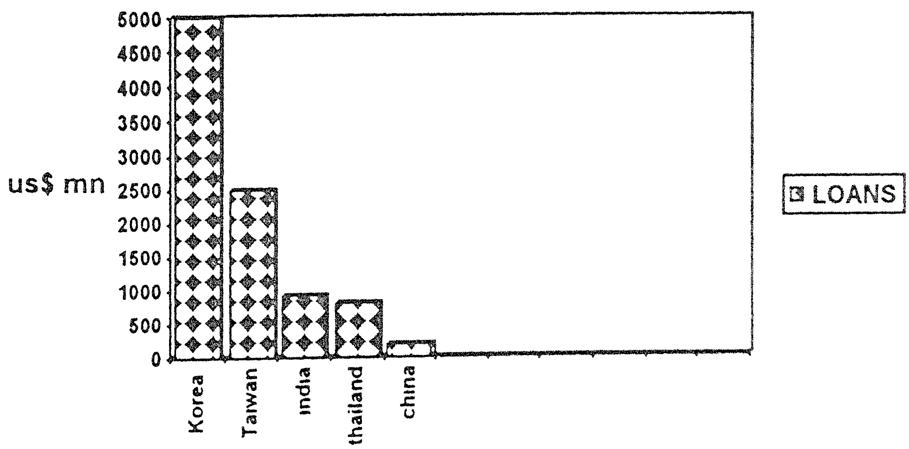
form a number of factors like the size of national Exports, the structure of Exports (especially in terms of products requiring short term of medium/long term Export finance), the types of financial facilities provided by the ECAs and their role in financing Imports and overseas Investments. The Asian ECAs can be compared in terms of their loan outstanding and disbursements. Since some of the ECAs are also involved to a significant extent in short term financing, it would be preferable to use outstanding loans as a comparative index of the volume of finance provide. This is because short-term disbursements reflecting frequent roll over of short-term credit are not entirely comparable to medium and long-term disbursements. The following table ranks the ECAs in terms of the magnitude of their outstanding loans (in US$ mn). In 1994/95. The chart provides a visual comparison of their loan assets.

TABLE NO .4
EXIM BANKS IN ASIA: LOANS OUTSTANDING

Exim bank	Loans outstanding (US $ mn) 1994/95	Averave annual gr Rate (%) during	outstandings/Assets (%) average during	National exports (US $ mn,) 1994/95	2000/2001
Japan	97967	14.1	97.2	395950	475930
Korea	5168	5 3	74 7	96012	130270
Taiwan	2493	29 1	78 7	88500	105000
India	824	7 1	65 6	26233	55070
Thailand	618		94.7	45061	75010
China	237		79.2	104672	170140
Average			81.7		

(SOURCES : Exim Bank of India Occasional paper no. 47-48)

Chart 10 -ASIAN BANKS OF INDIA Loand Outstanding



(SOURCES : Exim Bank of India Occasional paper no. 47-48)

As expected, there is a strong correlation between the size of financial assistance and national foreign trade. An interesting feature brought out by the table is the mammoth size of the Japanese Exim Bank, even taking into account the fact that japanese Exports are the largest among Asian countries. The Exim Bank of Japan dwarfs the other ECAs; its loans outstanding are nearly 20 times that of the next largest Asian ECA, the Korean Exim Bank. The loan assets of the Exim are also much larger than the ECAs in the three developing counties, reflecting the development of their industrial sector, particularly capital goods industries, as well as their role in financing Imports, overseas investments and, in the case of exim Japan, extending untied loans. In terms of growth in outstanding loans, the Exim Bank in Taiwan has expanded at the most rapid pace with an annual growth rate of 29 % p.a. during the past decade (in US$ terms). Table compares the ECAs in terms of their disbursements. The ranking of the Asian ECAs mirrors that in terms of outstanding (though disbursement figures for the Exim Banks in china and Thailand are not available). However, the distance between the Exim Banks in Japan and the others (though large) is not as vast. Disbursements of Exim

Japan were approximately four times that of the next largest ECA, the Korean Exim Bank. The Exim Bank in Taiwan again displayed the fastest growth rate in disbursements which accelerated at the rate of 34% p.a. during the last decade.

An interesting issue, which arises, is the extent of total Exports catalysed by the Asian ECAs. This is a difficult question to answer because of various reasons. Firstly, it has been seen that some of the ECAs are involved, to a great extent, in financing Import, overseas investments and even providing untied loans, apart from Export finance. Therefore, the role of such institutions in the national economy cannot be solely measured in terms of Export financed. The second is a data problem. Most of the ECAs do not publish figures relating to total Exports financed by them. Therefore, this has to be inferred from the magnitude of their financial assistance. Thirdly, some of the institutions have placed considerable emphasis on Export promotion activities. Since it is impossible to quantify the impact of such promotional efforts, inferences base purely on financial assistance ~~would understate~~ would understate their role in catalyzing total Exports. Nevertheless, table 8.3 provides tentative information relating

to the role played by each ECA in financing total to include only financing programs aimed at Exports. The table shows that, during 1994/95, the Exim Bank of Korea was first in terms of the share of Export credit in national Exports, followed by the Exim Bank of India.

TABLE –5

Exim Banks in Asia : DISBURSEMENTS

xim Bank	isbursement (US $ mn) 1994/95	Average annual gr. Rate (%) 1985/96	National exports (US $ mn) 1994/95	National exports (US $ mn) 2000/2001
Japan	12123	13.1	395950	475930
Korea	3847	21.0	96012	130270
Taiwan	781	33.7	885000	105000
India	494	10.8	26233	55070
China	n.a		104672	75010
Thailand	n.a		45061	170140

(SOURCE$: Exim Bank of India Occasional paper no. 47-48)

TABLE-6

Exports Financed by Asian ECAs in relation to total exports

Exim Bank in			
Korea	Export credit disb. /National export %	3.4	alendar Year 1994
India	Export contracts secured disb. /National export %	2.1	Year ending march 1995
Thailand	Loans outstanding /National export %	1.4	Calendar Year 1994
Japan	Export loan commitment/ National export %	1.1	Year ending march 1995
Taiwan	Export credit disb. /National export %	0.3	Year ending June 1995
China	Loans outstanding /National export %	0.2	alendar Year 1994

(SOURCES : Exim Bank of India Occasional paper no. 47-48)

The following chart provides brief details relating to the geographical distribution of finance provided by the 4 Asian ECAs for which such information is available. The regional pattern of assistance naturally reflect national trends in terms of destination of Exports and

overseas investment, source of Imports, and regions to which other types of assistance (like untied loans) are provided However, a striking common feature is that Asia is the dominant region in assistance provided by all the four ECAs

5.6 ASSETS

The assets sizes of the Asian ECAs are strongly correlated with the extent of financial assistance provide. Table 8 4 compares the ECAs in terms of total assets, in US$ million. Their ranking in terms of the magnitude of assets (and its growth rate during the last decade) is similar to the ranking in terms of loan outstanding, which was examined earlier. As mentioned at various places in this report, for the purpose of comparability, all comparisons between the ECAs have been made in US $ terms. However it is pertinent to mention that fluctuations in exchanges rates (which depend upon a complex variety of macroeconomic forces) obviously affect values and growth rates computed in this manner. Just to show the marked difference from

values computed in local currencies, the following table also indicates growth rates based on domestic currency values

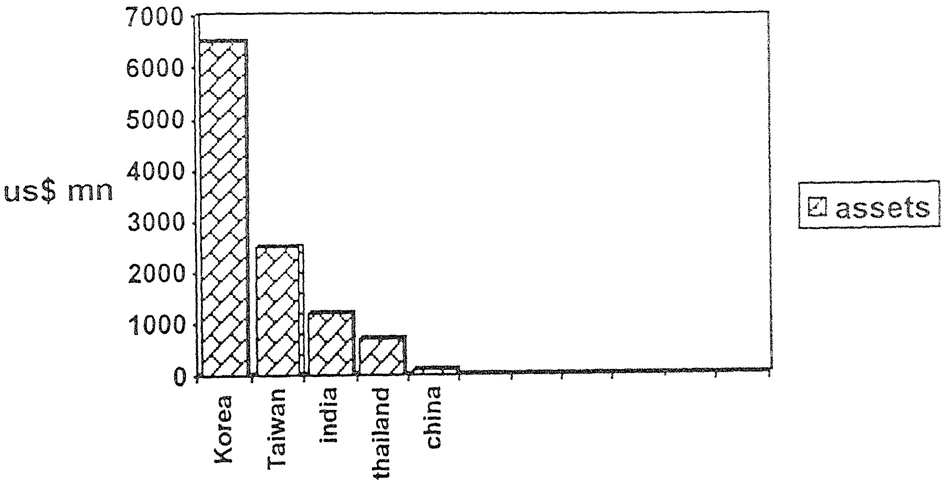
TABLE – 7

Exim Banks in Asia - ASSETS

Exim Bank	isbursement (US $ mn) 1994/95	Average Annual Gr. Rate (%) 1985/96	(In terms of local currency)
Japan	101092	14 3	5 0
Korea	6608	3 1	2 6
Taiwan	2582	23 3	18 3
India	1145	8 6	18 8
China	299		
Thailand	652		

(SOURCES : Exim Bank of India Occasional paper no. 47-48)

Chart 11-EXIM BANKS IN ASIA
ASSETS



(SOURCES : Exim Bank of India Occasional paper no. 47-48)

5.7 CAPITAL AND NET WORTH

As indicated earlier, all the Asian ECAs have functioned as institutions with strong total goals, particularly promotion of Exports and/or Imports. Overseas investments and supporting national balance of payments strategies. They have also often had to compete with other national ECAs in terms of offering non-commercial credit terms All these factors explain why all the Asian ECAs are fully owned by the government. The only minor variation is that, in the case of the Exim

Bank in Korea, its central bank, the bank of Korea, also subscribes to equity, in addition to the government

To compare the capital size of the Asian ECAs, it would be more appropriate to consider the aggregate of capital and reserves rather than confining the comparison to paid up capital only This is because of the great difference in the ages of the various ECAs which makes it important to include the accredition to reserves over time along with the initial paid up capital, in order to assess capital size. The comparison is provided in Table 8 5 naturally, one finds a strong correlation between the sizes of capital (and net worth) and the magnitude of assistance provided by the ECA Therefore, for analytical purposes, it is also useful to related capital of the assets or liabilities, rather than undertaking the comparison on the basis of the absolute capital size The ratio of capital as a source of funds. Table 8 5 undertakes such a comparison The table reveals that the ratio of capital to assets fell in the narrow range of 11 to 17% for the ECAs in Japan, Korea, India and Thailand However, the ECAs in China and Taiwan are much more strongly capitalized as reflected by the fact that

the ratio was considerable larger at 27 and 38% respectively for these two institution. The ratio of net worth to assets ranged from 13 % to 42% for the Asian ECAs. The ranking in terms of this ratio was very similar to that for the ratio of capital to assets.

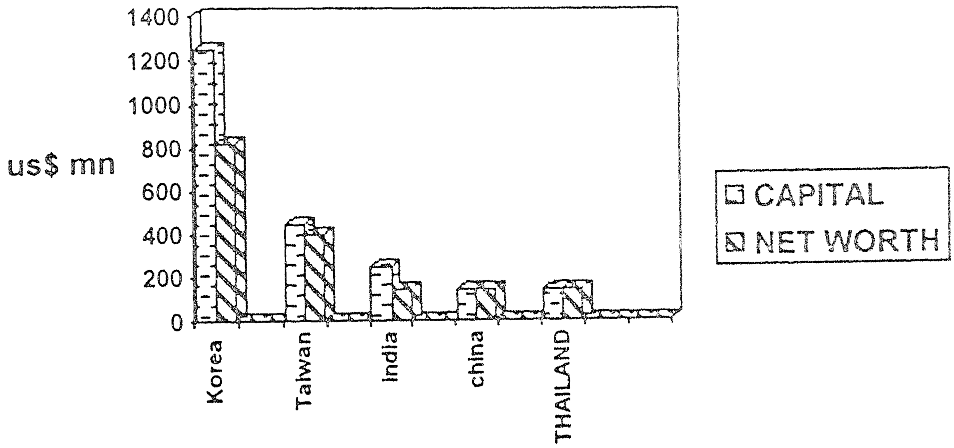
Table- 8

Exim Bank in Asia : Capital & Net Worth

Exim Bank	Capital (US $ mn)	Net worth (U.S $ mn)	Capital/Assets	Net worth/ Assets
Japan	11030	15183	14.6	18.6
Korea	870	1250	16.6	21.4
Taiwan	388	460	38.3	41.8
India	140	239	14.0	19.9
China	79	81	26.5	27.0
Thailand	73	82	11.3	12.6

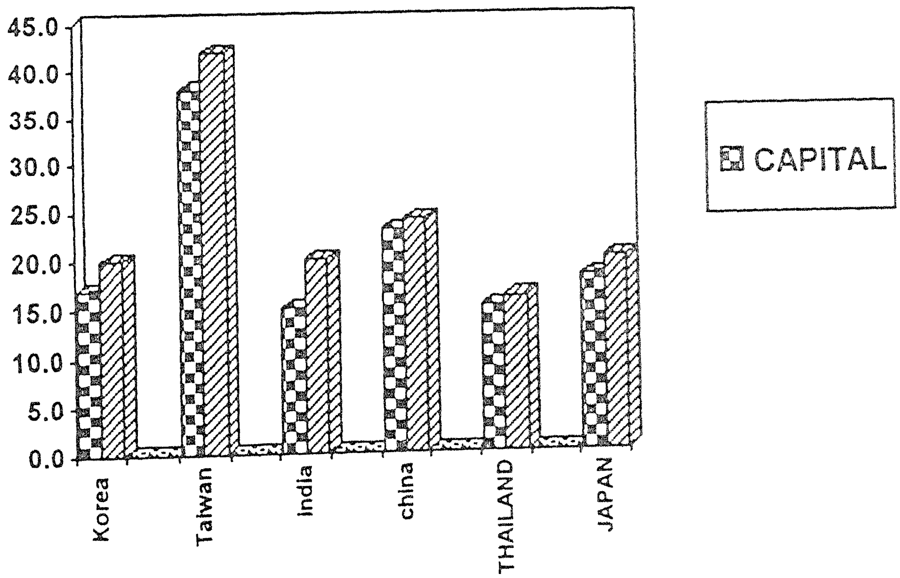
(SOURCES : Exim Bank of India Occasional paper no. 47-48)

Chart 12-ASIAN EXIM BANKS
CAPITAL & NET WORTH



(SOURCES : Exim Bank of India Occasional paper no. 47-48)

Chart13-ASIAN EXIM BANKS
RATIOS OF CAPITAL & NET WORTH TO ASSETS



(SOURCES : Exim Bank of India Occasional paper no. 47-48)

5.8 PROFITABILITY

The issue of ECA profitability is a complex one for various reasons. In the first instance, the profit rate is not a good index of efficient operation of the ECA, because of the various constraints under which ECAs operate. Since they are meant to provide credit support for national Exports, Imports, overseas investment and match competition from other ECAs, their interest rates and repayment periods are not totally within their control. Besides this, their mandate to promote national goals through credit often requires ECAs to make decisions which are not entirely "commercial" in nature. In fact, these are precisely the reasons why all the ECAs are wholly owned by the state. Having pointed out the need to be caution in utilising ECA profitability as a measure of efficiency, it is nevertheless useful to undertake comparative analysis of profitability since most ECAs operate under the constraints mentioned, relative profitability does provide an input (albeit an imperfect one) to assessment of relative efficiency especially in terms of funds management. Table 8.6 provides the average profit/assets ratio for the ECAs during the last five years. However, it is important to point out that for ECAs in China and

Thailand the ratio refers to only one year, since these agencies were set up only in 1994, this introduces an element of incomparability The comparison reveals that the profit/assets ratio was the highest for the Exim Bank of India at 1 8% This ratio ranged in between Taiwan, Thailand and Korea, for the ECAs in Japan and China, the ratio was 0 5 and 0 3% respectively.

Another way of assessing profitability is to consider the ratio of profit to capital and net worth. There is substantial difference between the ratio of profit to paid up capital and that of the profit to net worth As pointed out earlier, this reflects the varying ages of the ECAs and the accretion to reserves over time. The ranking of ECAs in terms of these two indicators of profitability was similar to that in terms of profit/assets. However, the differences in the ratios were much larger. For instance, while the profit/capital ratio for the ECAs in India and Thailand was 13% and 11% respectively, those for the other ECAs ranged from 1% to 18%

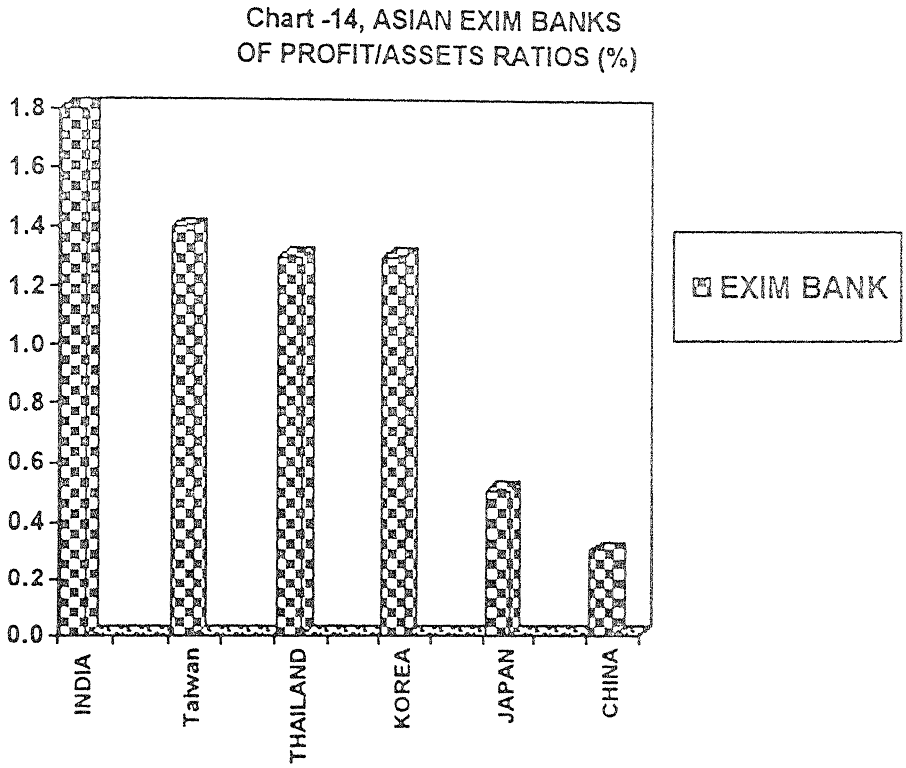
Table - 9

Exim Bank in Asia: profitability

Exim bank	Profit/Net worth (%) (avg. during 1985-95)	Exim bank	Profit/Net worth (%) (avg. during 1985-95)
Japan	1.8	Japan	9.9
Korea	1.4	Korea	8.8
Taiwan	1.3	Taiwan	6.0
India	1.3	India	4.1
Thailand	0.5	Thailand	2.8
China	0.3	China	1.0
Average	1.1	Average	5.4

Exim bank	**Profit/Net worth (%) (avg. during 1985-95)**
Japan	12.8
Korea	11.2
Taiwan	7.9
India	4.6
Thailand	3.6
China	1.0
Average	6.9

(SOURCES : Exim Bank of India Occasional paper no. 47-48)



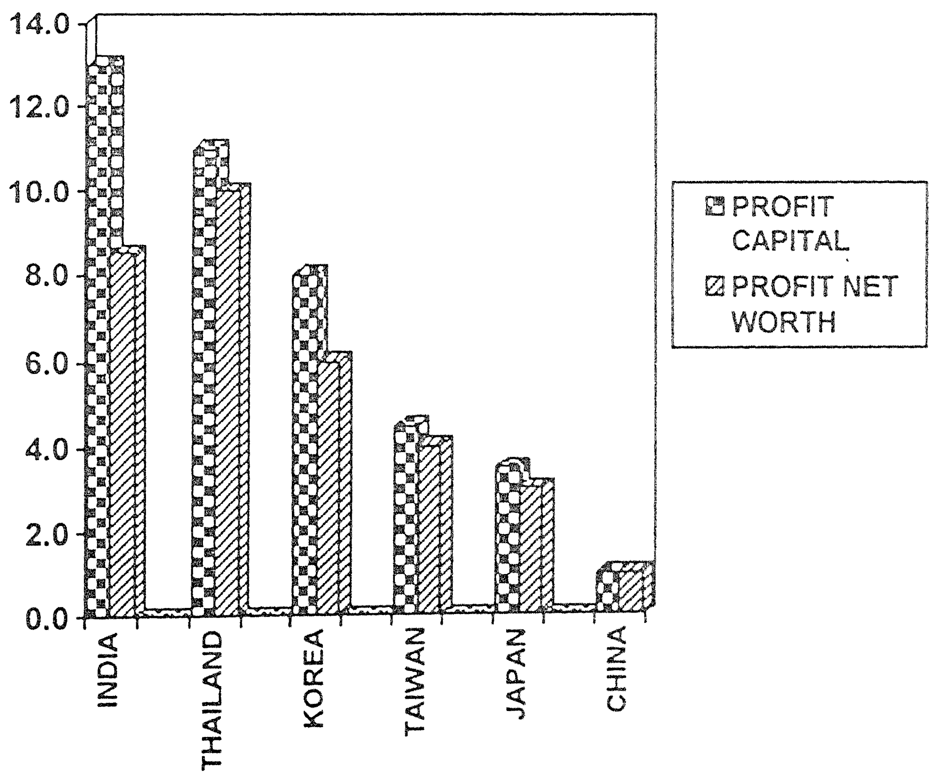
(SOURCES : Exim Bank of India Occasional paper no. 47-48)

OVERSEAS OFFICES

Because of the large scale and regional spread of its operations, it is not surprising that the Export-Import bank of Japan had the greatest number of overseas representative offices, numbering

18 The Export Import bank of Korea also has many overseas offices, in 14 cities abroad, moreover the bank has also established (or plans to establish) five overseas financial subsidiaries in Hong Kong, London, Jakarta, Singapore and Vietnam The Exim Bank in India and Taiwan had 5 and 3 foreign offices, respectively. ECAs in China and Thailand had yet to open overseas offices (as of early 1995) probably since they are such recently established institutions

chart- 15 ASIAN EXIM BANKS
PROFIT RATIOS



(SOURCES : Exim Bank of India Occasional paper no. 47-48)

OVERSEAS OFFICES OF ASIAN ECAS

<u>Export-Import Bank of China :</u> The bank does not have any oversea office (as of early 1995)

<u>Export Import Bank of India :</u> The Bank has 5 overseas offices at Abidjan, Washington D C Singapore, Budapest and Rome

<u>Export Import Bank of Japan</u> : The Bank had 18 overseas representative offices as on March 1995 which function from the following locations;

Asia & Oceania Beijing, Hong Kong, Manila, Bangkok, Jakarta, New Delhi, Sydney.

Europe London, Frankfurt, Paris, Moscow

The Americas · New York, Washington D.C. Los Angeles, Mexico, Bogota, Rio de Janeiro, Beunos Aires

In addition, there is Liaison office in Toronto

Export Import Bank of Korea : The total number of overseas representative office of the bank (as of en 1994) was 14 which are located in the following cities

Asia . Tokyo, Beijing, Hong Kong, Jakarta, Ho Chi Miny City, New Delhi

The Americas New York, Washington D C Mexico City, Sao Paulo

Europe & Africa London, Paris, Moscow, Abidjan

In 1993 in the bank also had three overseas financial subsidiaries in Hong Kong, London and Jakarta In 1994 the bank decided to establish two more overseas financial subsidiaries in Singapore and Vietnam

Export-Import Bank of Taiwan : As of mid 1995, the bank had three overseas office in Jakarta, Mexico and Budapest

Export Import Bank of Thailand At the end of 1994, the bank did not have any offices overseas

CHART ASIAN ECAS- BUSINESS COOPERATION

Export Import of India :- The Bank signed a framework cooperation agreement with the European bank for reconstruction and development (EBRD) in 1995 for acquiring advance information on EBRD funded project opportunities in Eastern Europe and CIS The bank also concluded a cooperation arrangement with African management services Co (AMSCO), Amsterdam for sponsoring Indian consultants to undertake assignments for private sector companies in sub-saharan

Africa to rehabilitate and expand their businesses. The bank signed a memorandum of understanding with SVEX sri of Italy, an organisation for promotion of international business of small and medium sized enterprises, to facilitate Indo Italian ventures in India.

<u>Export Import Bank of Japan</u> : The bank has collaborated with a large and diverse variety of foreign institutions, for instance, during 1991-92 the bank concluded cooperation agreements with three foreign financial organisations i.e. Export-Import Bank of U.S, Mediocredito of Italy and Swedish Export Credit Corporation. All these agreements were intended to promote economic cooperation by supporting projects in which enterprises of the countries collaborate in a third country. The agreements with the US Exim Bank was also meant to promote US-Japan trade, increase US Exports to Japan, regularly exchange information of individual projects and publicise EXIM Japan's Import loans for manufactured goods. Cooperation agreements were signed with the Export Import bank of Korea, overseas private investment corporation of the U.S. and Australia's Export finance and insurance corporation during 1992-93. These agreements were intended to

facilitate the bank's information exchange with these institutions, particularly to develop more binominal collaborative projects. In 1993-94, the bank into an agreement with KfW to encourage Japanese companies to invest in the former each Germany, promote direct investment by Japanese and German small and medium sized enterprises and provide support for joint projects in other countries. An understanding was also signed with BICE of Argentina for information exchange to promote direct investment and technology transfers in Argentina by Japanese companies, and to encourage the expansion of trade between the two countries. During 1994-95 similar cooperation agreements were signed with the industrial and Commercial Bank of China and the Board of investments of the Philippines. The bank also has arrangements for dialogue and discussion with multilateral financial institutions (such as the world bank, IFC, the Inter American Development Bank, and the ADB) through annual consultation meeting, frame-work agreements and other arrangements for confinacing.

Export-Import Bank of Korea: Over the years the Bank has collaborated with a number of foreign institutions. In 1992, the bank sponsored (along with the Ministry of Finance) the Expert group meeting to establish the regional investment information and promotion service for Asia and the pacific (RIIPS). The meeting was held by ESCAP, UNCTAD and UNDP. During 1992-94, the bank entered into business cooperation agreements with the Export-Import bank of Japan, institute of international finance of bank of china and the Banco de inversion comercio exterior of Argentina. The purpose of these agreements include promoting Exports to third countries, technology transfer and exchange of trade and investment information.

COLLABORATION

Over the years, Asian ECAs have been collaborating with a large number of other foreign institutions (particularly financial institutions) for better fulfilling their mission and objectives. Recent examples of such collaborations, especially business cooperation agreements, are provided by the following chart.

The chart shows that there has been interaction between the Asian ECAs themselves (for instance between the Exim Bank in Japan and Korea) However there does appear to be a lacuna in terms of the absence of a common forum among Asian ECAs to discuss issues of mutual interest, share information and research, assist in the establishment of ECAs in other countries and cooperate in projects in third countries Such forums exist in the case of industrial financing institutions in Asia and the Pacific Formal establishment of a similar forum for ECAs in Asia and the pacific should be seriously considered, especially since most ECAs are expected to fulfill broader national goals.

SOME LESSONS

The historical evolution of the ECAs in Japan, Korea, Taiwan and India also provides some useful lessons for younger ECAs or those countries intending to establish such institutions. The principal lessons which can be drawn are outlined below

(i) It is obvious that there can be no single role model of an ECA Depending upon the stage of development of the

economy, the domestic and external environment and the specific priorities of policymaker, different ECAs have adapted their activities suitably to fulfill national requirements This is reflected in the changing emphasis on finance for Exports, Imports, overseas investment, natural resources and other types of lending not only between ECAs but also for specific ECAs over time

(ii) Policy makers must provide full support of ECAs in enabling hem to refashion their activities. The importance of this is reflected by the fact that in the case of both the Exim Bank in Japan and Korea, in act governing their activities was amended a number of times to enable them to initiate new activities Such activities were not anticipated originally when the act was framed but were now highly relevant for the national economy For instance, during the eighties, the Export Import bank of Japan law was emended to enable the bank to extend Import credits and overseas investment credits directly to foreign corporations, establish equity investment operation and expand eligibility for untied direct loans. Other

examples of changed effected in law/act governing operations of the Exim Banks in Japan and Korea are provided in the individual chapters.

(iii) ECAs must be alert and responsive in modifying their financing schemes in accordance with changing needs, while, initially, various types of facilities have been restricted to well defined product or project groups, the four Asian ECAs have constantly changed the eligibility criteria and broadened the relevant product/ project groups to reflect national requirements. For instance, after the Exim Bank of Korea introduced its Import credit program in the late eighties for group of essential materials and major resources, the types of raw materials eligible were periodically enlarged. In fact, in 1990, even some categories of finished products were made eligible. Similarly, in the case of the Exim Bank in Taiwan, eligible product for term Export credit was broadened considerably during the early nineties to include a number of new industrial products.

(iv) The role of an ECAs in a developing country is quite different from that in an industrialized economy or NIE. This is illustrated by the activities of the Exim Bank of India which has gone beyond traditional post shipment term Export credit and diversified into all other activities related to the Export business cycle like investment, production, marketing, product development, technology transfer and quality improvements. An ECA in a developing country also needs to pay greater attention to promotional activities given the serious imperfections in the availability of information and research based advice for Exporters in developing economies. The Importance of such promotional activities is again demonstrated by the success which the Exim Bank of India has had in meeting the needs of Indian companies for information and advisory services in their globalisation efforts.

(v) While it is relatively easier to concentrate on providing assistance to large companies, it is Important not to neglect the needs of small and medium sized enterprises (SMEs)

which constitute and dynamic sector for economic growth but have been some what neglected in illustrated by the efforts of ECAs in Korea and Taiwan to pay greater attention to the needs of small and medium sized enterprises. For instance, recently, the Exim Bank Korea expanded the eligible borrowers of capital goods and ships. The Exim Bank of Thailand has also been taking special Exporters, who have been hitherto neglected in the Export financing system. The Exim Bank in India also had specific short-term assistance programme of rediscounting Export bills of the small-scale sector.

(vi) Since ECAs have rich experience in efficient handling of global loans and credits (involving project appraisal, loan administration, follow up etc.) they are highly suitable vehicles for implementing other governmental loan and foreign aid schemes. This explains why the Exim Banks in Korea and Taiwan have been entrusted by their respective governments to administer development assistance programmes. Even in the case of exim Japan, though direct

development assistance is undertaken by the OECF, the institution is intimately involved in recycling and utilising Japan's capital account surpluses through activities like large untied loans and bridge loans.

Finally, at the risk of repetition, the Asian experience with Exim Banks reveals that it is no longer relevant to consider such institutions as purely "Export credit agencies". It would be wiser for policy makers to increasingly utilize them for achieving broader goals relating to globalisation, and all types of foreign commercial relations and development assistance. This would enable such institutions to remain contemporary by responding quickly and actively to changing external circumstances and national needs.

CHAPTER-6

CONCLUDING ASPECT OF THE STUDY

6

CHAPTER

CONCLUDING ASPECT OF THE STUDY

6.1 *FINDINGS*

The Exim Bank of India was established in 1982, to provide a strong impetus to the growth of non traditional manufactured export from India As the first Exim Bank in developing country (excluding the NIES), the bank had to chart a different cource from existing EC As Thus, the bank has over the years introduced a very large number of financing programme to bridge gaps and address financing contents faced by Indian exporters As a result unlike conventional EC As, the bank has been offering finance at all stages of the export business cycle i.e product development, investment, production, marketing, technology transfer as well as export credit. Since mid 1991, Indian policy makers have introduced sweeping economic reforms and liberlisation majors, which have greatly

encouraged globalization of the Indian economy Sensing the med to pro-activity respond to these liberlisation policies, the Exim bank has taken a number of new initiatives during the nineties to support the globalization efforts of Indian companies, especially in the area of exports and imports for export production, technology transfer, and foreign imports. The other distinctive features of the bank has been enormous emphasis placed on promotional activities apart form its financing operations Thus, the bank has been providing a variety of information and advisory services to promote exports, technology transfer, quality improvement etc. During the eighties and minifies the bank has undoubtedly played an important role in boosting Indian exports, both through financial support and catalytic promotional efforts. Thus the Exim Bank of India has proved to be a bank with a difference in the universe of EC As, in so for as it offers market oriented services, encourage creation of export capabilities among Indian companies, assists them incompeting world-wide and help them integrate with the world economy. It has emerged as a bench mark institution for developing countries

As indicated earlier, the current vision of the bank is to develop commercially viable relationship with a target set of externally oriented companies by offering them a comprehensive range of product and services, aimed at enhancing these globalization efforts, the further opening up of the Indian economy expected in future years should provide ample opportunities for fulfillment of this vision specially become the institution has displayed enormous capacity to innovate and respond to changing times

6.2 SUGGESTIONS :-

India is a developing country Our Government is determined to make it developed nation, for which it has various programmes and policies We know that to make any country developed, it has to go with the nations of international community and it has to take part in the international activities. And it has to keep pace with different nations specially in the field of commerce, trade, education and other various spheres. So, to get all these it depends on the various means of development where the international finance is important one For which our export trade plays major role To make the export strong,

Government of India has established the Export-Import Bank which is working properly in its destined field

With the help of this Exim Bank various facilities are being provided to our exporters and importers Which is directly or indirectly giving the profit to our economy Facilities like financial assistance, advisory services, long term or short term debt, transportation are being provided in different form

This is very clear that in the modern economy, there could be no proper growth without sufficient quantity of foreign capital In the changing time of today, where the whole world have become a big market, any economy can survive only in the condition when it has the enough financial strength.

For the financial strength the Exim Bank is playing important role with the help of this foreign capital can be earned by exceeding our export trade which is its ultimate goal. Exim Bank in its motto clearly indicates that it has the policy to keep the import trade

lesser than export trade. Although facilities provided to exporters and importer are important and valuable, yet it needs some reforms in its services as follows –

1. Indian Exim bank should provide firstly to small and cottage industries the facilities of financial and advisory services. Which in the lack of chance and knowledge could not get its minimum cost because it does not have the approach to the international market. Even these goods items and commodities confined to a limited areas since they are labour oriented goods which are prepared on the minimum cost and they have enough quality. These goods have special quality because they are greatly affected by the unique social quality of class and caste of our system.

2. Second suggestion that we can give to the Indian export and import bank is that Exim bank should along with financial assistance should make exporters informed about the future or coming condition of market so that exporter could launch

their goods in the market at the proper time. Because there are many countries in the world where our export trade is almost zero So, we should have the new products according, to the need of these countries, which could capture the market

3. Third very important suggestion we would like to give is that Indian government along with the Exim Bank should establish the trade relationship with so many countries of the world which needs the Indian goods and commodities.

4 The Exim Bank of India should give the Indian exporters direction time to time about their products. It should direct the exporters that the product of the goods should be of high quality and should be of special quality. Because in this competitive society whichever and whatever facility is provided to our exporters, if their goods are not of international standard it can not make place in the international market And all efforts will be worthless As a

result on the contrary to our policy import trade will exceed the export trade and our people will be accustomed to the use of foreign goods which will directly affect our balance of payment

5. Exim Bank of India should try to involve the state government also in this process Meaning to say is that Bank should establish its branches in the different areas of country and should provide the all facility to the various exporter of state level. Exim Bank should provide the financial assistance and advisory services to these state level exporters and it should make them understand that they can have also greater role in this field of trade as an example the carpet industry in Bhadohi, Amla industry in Pratapgarh and the small products of Jaunpur in Uttar Pradesh is getting the international status.

6. Indian Exim Bank should encourage the awareness about international language to its exporters because in its absence there come great hurdles in making trade relationship with

other countries because the language Plays an important role in the international relations

7 Indian Exim Bank should provide the special facilities of many types to its exporters and importers, in the view international market because in the changing scenario its modernization is necessary Where, today the globalisation of it is in its full swing and its institutions like W.T O and GATT are functioning effectively, at the same place the Exim Bank of India should determine its target and direction with the open eyes

8. A-part from the traditional goods India should also be involved in the exporting non traditional goods. Traditional export is now confined to certain commodities, as well as other nation of the world also have involved in this business. As a non traditional export items India can go in consumers goods sector. Which has large possibilities of

seizing the market which can turn the Indian transactions in the profitable job.

9. Indian Exim Bank should keep proper co-ordination among the institutions engaged in financing export and import. In the lack of this essentiality the mutual understanding among the institutions will be worst. In such a condition no country has the better possibility of its coming days. The rhythms and attractions in the trade of certain country should be comprehensive. If it is not so, the trade particularly foreign trade of that particular country would have suffer the serious set-back.

10. The Exim Bank should be cautious about the changes occurring in the foreign trade. According to the changing needs and changing time it should be involved in strategy to followed by the exporters and importers for the international trade. It should be largely dedicated to the opportunities and competitiveness of the goods or commodities to be exported.

11. Exim Bank with its innumerous aid providing process should be attached in the efficiency and commercial viability of its operations. Which is necessary for the fulfilling its mission of promoting Indian exports.

12. Indian Exim Bank to realize the full export potential of the country should persuade the state governments to create necessary export infrastructure and declare units exporting over 50% of their turn over as public utility services. In such a condition the all sectors of goods and items would flourish in its full-swing causing the Indian products export oriented.

13. Indian Exim Bank should re-introduce the replenishment license scheme, in the view of long-term outstanding demand of leading chamber of commerce and export organisations. Including the federation of Indian export organisations. Under this scheme such imports will be subject to payments of additional customs duty equal to the prevailing excise

duty, which will directly insured the profit of Indian foreign trade

14 Government of India, in its Exim Policy announced that special export-import license would be abolished after April 2001 In this no Special Import License will be admissible in respect of export made on or after April 2001 this would be facilitating of the concerned authority in the direction of export-import process of the country.

15. Further it can be outlined that once again Indian commerce and Industries ministry should review all the process of the Exim Bank of extending import finances as a whole. Aftermath Exim Bank and related authority should re-introduce the procedure of export promotion, in the sense of getting more and more profit from its foreign trade and making the balance of trade equal to the national needs.

16 India's Exim Bank should concentrate on providing assistance to not only large companies but also to the small

sized companies Because it constitute the dynamic sector for economic growth, both small and large sized enterprises can give the better result for Indian economy provided the assistance committed by Exim Bank of India

17 As experience reveals that Exim Bank of India should no longer proper to constitute such institution as purely export credit agencies but should follow the broader goals relating globalisation and development assistance. By following this path institute to remain contemporary by responding quickly and actively changing external circumstances and national needs.

18. As a final suggestion we can say that policy makers of Exim Bank of India should provide their full support to enabling it to redesign and refashion of its activities It is important to notice that in same reference Exim Japan and Korea have modified and amended its act and activities a number of times These act/laws where not originally framed in the policy but were now highly relevant for the national economy

So, if the above suggestions about the Exim Bank of India followed in its procedures, then its activities will go ahead to the positive and creative goal To make industries export oriented and to assimilate the Indian goods in the international market, these suggestions of the policy making can give the new direction to the Indian export economy.

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ANNEXURE

ABBREVIATION

Abbreviation

1- AMSCO- African Management Services Company

2- A D.B – Asian Development Bank

3- A I.C – Advance Licensing Certificate

4- C.I F – Continuance And Freight

5- D.E P B – Duty Entitlement Pass Bank-

6- D.F R.C – Duty Free Replenishment Certificate

7- D.G.F T – Director General Of Foreign Trade

8- Exim – Export and Import Bank of India

9- E.O.U's – Export Oriented Units

10-E C.- European Community

11-E E C – European Export Council

12-E.C.A – Export Credit Agencies

13-E P C G- Export Promotional Capital Goods

14-F.E.R A – Foreign Exchange Regulating

15-F.O.B – Act Foreign Owned Banks

16-F T Z- Foreign Trade Zones

17-I B R D – International Bank For Reconstruction And Development

18-I C I C I – Indian Industrial Credit And Investment Corporation Limited.

19-I D.B I – Industrial Development Bank Of India

20-I S.O - Indian Standard Organisation

21-J.V's – Joint Venture's

22-M F P – Multilateral Funded Project

23-M.F A – Multilateral Funded Agency

24- N.I.E – Newly Industrialised Economies

25-S.C.I – Small Scale Industries

26-S.P Z – Special Economic Zones

27-S.E.Z – Special Economic Zones

28-S.I L – Small Import License

29-S.C I – Small And Cottage Industry

30-U.N.D P –United Nations Development Programme

31-W.O S – Wholly Owned Subsidiary

Balance Sheet as at March 31, 1995 and Profit & Loss Account for 1994-95

Presentation of dividend cheque for 1993-94 to Dr Manmohan Singh, Union Finance Minister

Balance Sheet

as at 31st March, 1995

Liabilities

		Schedules	This Year (As at 31 03.95) Rs	Previous Year (As at 31.03.94) Rs
1	Capital	I	4,403,257,881	3,574,177,881
2	Reserves	II	3,118,861,202	2,261,314,275
3	Profit & Loss Account	III	160,000,000	140,000,000
4	Notes, Bonds & Debentures		6,439,500,000	6,498,279,199
5	Bills Payable		—	—
6	Deposits	IV	1,619,779,960	1,504,404,000
7	Borrowings	V	14,430,821,905	10,826,559,728
8	Current Liabilities & Provisions		3,183,439,528	1,660,383,877
9	Other Liabilities		2,711,323,963	2,450,577,698
10	Reserve for possible loan losses		—	—
	Total		36,066,984,439	28,915,696,658

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances, Guarantees, endorsements & other obligations	6,836,062,000	7,516,644,000
(ii)	On outstanding forward exchange contracts	—	—
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	—	—
(v)	Claims on the Bank not acknowledged as debts	—	—
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	—	—

Note 1 Foreign Currency bank balances equivalent to Rs 18,412,651,719 (Previous year Rs 16,801,000,364) held on agency account including a sum of Rs 14,719,333,434 assigned to GOI and the corresponding amounts payable, subject to fulfilment of certain conditions, are not included in the above Balance Sheet

2 Other Liabilities include Rs 1,229,377,829, being Reserve for Exchange Fluctuations in respect of foreign currency assets

3. Previous year's figures have been regrouped, wherever necessary

General Fund

Assets

		Schedules	This Year (As at 31.03.95) Rs	Previous Year (As at 31.03.94) Rs
1	Cash & Bank Balances	VI	1,250,495,361	2,297,938,335
2	Investments	VII	7,135,921,690	4,079,805,265
3	Loans & Advances	VIII	25,960,887,040	20,336,743,445
4	Bills Purchased, Discounted, Rediscounted	IX	—	—
5	Fixed Assets	X	98,661,590	75,093,906
6	Other Assets	XI	1,621,018,758	2,126,115,707
7	Profit & Loss Account		—	—
	Total		36,066,984,439	28,915,696,658

Ms. T.M. Vakil
Chairman & Managing Director

Y.B. Desai
Executive Director

M.C. Gupta
Dr. Shankar N. Acharya
S.H. Khan
Rashid Jilani

A.T. Pannir Selvam
M.V. Subbiah
S.K. Bijlani
Dr. A.N. Dravid

Directors

As per our attached report of even date
G.P. Kapadia & Co.
Chartered Accountants

New Delhi,
Dated: 7th April, 1995

Profit & Loss Account

for the year ended 31st March, 1995

Expenditure

		This Year	Previous Year
		Rs	Rs
1	Interest	1,691,364,606	1,459,447,951
2	Credit Insurance (Including Guarantee Fee)	12,969,711	12,134,038
3	Staff Salaries, Allowances etc and Terminal Benefits	26,802,062	23,674,320
4	Directors' and Committee Members' Fees and Expenses	27,570	6,434
5	Audit Fees	75,000	70,000
6	Rent, Taxes, Electricity and Insurance Premia	25,095,672	21,559,644
7	Postage, Telegrams and Telex	10,877,240	8,823,198
8	Legal Expenses	2,248,245	499,546
9	Other Expenses	68,933,450	56,707,412
10	Depreciation	17,076,552	19,637,099
11	Transferred to Reserve for possible loan losses	—	—
12	Profit carried to Balance Sheet	788,320,000	579,557,118
	Total	2,643,790,108	2,182,116,760

Report of the Auditors

We have audited the attached Balance Sheet of General Fund of Export-Import Bank of India as at 31st March, 1995 and also the Profit and Loss Account of General Fund of the Bank for the year ended on that date annexed thereto and report that·

1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

2 In our opinion, the Balance Sheet and the Profit and Loss Account are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder

3 In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the General Fund of the Bank as at 31st March, 1995

New Delhi,
Dated 7th April, 1995

G.P. Kapadia & Co.
Chartered Accountants

General Fund

	This Year	Previous Year
	Rs	Rs
(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)		
1. Interest and Discount	2,534,221,747	2,143,740,010
2. Exchange, Commission, Brokerage and Fees	91,640,409	35,951,613
3 Other Income	17,927,952	2,425,137
4. Loss carried to Balance Sheet	—	—
Total	2,643,790,108	2,182,116,760

Ms. T.M. Vakil
Chairman & Managing Director

Y.B. Desai
Executive Director

M.C. Gupta
Dr. Shankar N. Acharya
S.H. Khan
Rashid Jilani

A.T. Pannir Selvam
M.V. Subbiah
S.K. Bijlani
Dr. A.N. Dravid

Directors

Schedules to the Balance Sheet

as at 31st March, 1995

	This Year (As at 31.03.95)	Previous Year (As at 31.03 94)
	Rs	Rs
Schedule I : Capital :		
1 Authorised	5,000,000,000	5,000,000,000
2 Issued and Paid-up (Wholly subscribed by the Central Government)	4,403,257,881	3,574,177,881
Schedule II : Reserves :		
1 Reserve Fund	2,283,314,562	1,819,994,562
2 General Reserve	—	—
3 Other Reserves		
Export Promotion Reserve	530,792,890	431,904,713
Reserve for Guarantee cum Refinance Programme	50,000,000	—
Capital Reserve Account	254,753,750	9,415,000
	3,118,861,202	2,261,314,275
Schedule III : Profit & Loss Account :		
1 Balance as per annexed accounts	788,320,000	579,557,118
2 Less Appropriations		
Transferred to Reserve Fund	463,320,000	347,057,118
Transferred to Export Promotion Reserve	115,000,000	92,500,000
Transferred to Reserve for Guarantee cum Refinance Programme	50,000,000	—
3 Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act, 1981)	160,000,000	140,000,000
Schedule IV : Deposits .		
(a) In India	1,619,779,960	1,504,404,000
(b) Outside India	—	—
	1,619,779,960	1,504,404,000
Schedule V : Borrowings :		
1 From Reserve Bank of India		
(a) Against Trustee Securities	—	—
(b) Against Bills of Exchange	—	—
(c) Out of the National Industrial Credit (Long Term Operations) Fund	8,770,000,000	8,770,000,000
2 From Government of India	409,000,000	463,500,000
3 From Other Sources		
(a) In India	—	—
(b) Outside India	5,251,821,905	1,593,059,728
	14,430,821,905	10,826,559,728
Schedule VI : Cash & Bank Balances :		
1 Cash in Hand	31,575	21,886
2 Balance with Reserve Bank of India	28,370,573	20,466,496
3 Balances with other Banks		
(a) In India	331,464,853	1,548,681,251
(b) Outside India	770,628,360	728,768,702
4 Money at call and short notice	120,000,000	—
	1,250,495,361	2,297,938,335

General Fund

	This Year (As at 31.03.95)	Previous Year (As at 31.03.94)
	Rs	Rs
Schedule VII : Investments .		
1 Securities of Central and State Governments- at cost or market value whichever is less	2,542,085,000	—
2 Equity Shares & Stocks	68,544,140	4,013,750
3 Preference Shares and Stocks	—	—
4 Notes, Debentures and Bonds	411,800,000	—
5 Others	4,113,492,550	4,075,791,515
	7,135,921,690	4,079,805,265
Schedule VIII : Loans & Advances :		
1 Foreign Governments	723,739,438	849,914,750
2 Banks		
(a) In India	8,207,722,801	3,902,548,819
(b) Outside India	3,025,587,700	3,137,767,136
3 Financial Institutions		
(a) In India	—	—
(b) Outside India	111,781,942	135,807,876
4 Others	13,892,055,159	12,310,704,864
	25,960,887,040	20,336,743,445
Schedule IX : Bills Purchased, Discounted, Rediscounted :		
(a) In India	—	—
(b) Outside India	—	—
	—	—
Schedule X : Fixed Assets : (At cost less depreciation)		
1. Premises	74,861,612	64,378,524
2 Others	23,799,978	10,715,382
	98,661,590	75,093,906
Schedule XI : Other Assets :		
1 Accrued interest on investments and on loans	918,336,616	636,019,578
2 Prepaid insurance premium - paid to Export Credit Guarantee Corpn of India Ltd	41,424,820	36,258,754
3 Deposits with sundry parties	29,767,726	789,836,905
4 Others (Including due from GOI against disbursement for EMF Rs 76,161,672)	631,489,596	664,000,470
	1,621,018,758	2,126,115,707

Balance Sheet

as at 31st March, 1995

Liabilities

		This Year (As at 31.03.95)	Previous Year (As at 31.03.94)
		Rs	Rs
1	Loans		
	(a) From Government	—	—
	(b) From Other Sources	—	—
2	Grants		
	(a) From Government	141,524,000	141,524,000
	(b) From Other Sources	—	—
3	Gifts, Donations, Benefactions		
	(a) From Government	—	—
	(b) From Other Sources	—	—
4.	Other Liabilities	13,600,111	13,600,111
5.	Profit and Loss Account	196,616,637	173,294,282
	Total.	351,740,748	328,418,393

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances, Guarantees, endorsements & other obligations	Nil	Nil
(ii)	On outstanding forward exchange contracts	—	—
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	—	—
(v)	Claims on the Bank not acknowledged as debts	—	—
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	—	—

Note Previous year's figures have been regrouped wherever necessary

Export Development Fund

Assets

		This Year (As at 31 03.95)	Previous Year (As at 31 03.94)
		Rs	Rs
1	Bank Balances	323,473,681	284,431,265
2	Investments	—	—
3	Loans & Advances		
	(a) In India	—	—
	(b) Outside India	24,716,588	24,716,588
4	Bills Purchased/Discounted		
	(a) In India	—	—
	(b) Outside India	—	—
5	Other Assets	3,550,479	19,270,540
6.	Profit and Loss Account	—	—
	Total	351,740,748	328,418,393

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M.V. Subbiah
S.K. Bijlani
Dr A.N. Dravid

Directors

As per our attached report of even date

G P. Kapadia & Co.
Chartered Accountants

New Delhi,
Dated 7th April, 1995.

Profit & Loss Account

for the year ended 31st March, 1995

Expenditure

		This Year	Previous Year
		Rs	Rs
1	Interest	—	—
2	Other Expenses	—	—
3	Profit carried to Balance Sheet	23,322,355	27,177,955
	Total	23,322,355	27,177,955

Report of the Auditors

We have audited the attached Balance Sheet of Export Development Fund of Export-Import Bank of India as at 31st March, 1995 and also the Profit and Loss Account of Export Development Fund of the Bank for the year ended on that date annexed thereto and report that

1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

2 In our opinion, the Balance Sheet and the Profit and Loss account are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder

3 In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Export Development Fund of the Bank as at 31st March, 1995.

New Delhi,
Dated 7th April, 1995

G.P. Kapadia & Co.
Chartered Accountants

Export Development Fund

Income

	This Year	Previous Year
	Rs	Rs
(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)		
1 Interest and Discount	23,322,355	27,177,955
2 Exchange, Commission, Brokerage and Fees	—	—
3 Other Income	—	—
4 Loss carried to Balance Sheet	—	—
Total	23,322,355	27,177,955

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M.V. Subbiah
S.K. Bijlani
Dr. A.N. Dravid

Directors

As per our attached report of even date
G.P. Kapadia & Co.
Chartered Accountants

New Delhi,
Dated 7th April, 1995

Balance Sheet as at March 31, 2001 and Profit & Loss Account for 2000-01

Presentation of dividend cheque for 1999-2000 to Shri Yashwant Sinha Union Finance Minister

Balance Sheet

as at 31st March, 2001

Liabilities

		Schedules	This Year (As at 31.03.2001) Rs	Previous Year (As at 31.03.2000) Rs
1	Capital	I	5,499,918,881	5,499,918,881
2	Reserves	II	10,663,800,021	9,584,131,045
3	Profit & Loss Account	III	380,000,000	350,000,000
4	Notes, Bonds & Debentures		22,914,915,470	20,944,452,154
5	Bills Payable		--	—
6	Deposits	IV	2,797,200,000	2,617,200,000
7	Borrowings	V	20,254,662,765	20,353,685,745
8	Current Liabilities & Provisions		7,979,845,410	7,602,593,010
9	Other Liabilities		3,490,749,521	3,312,213,340
10	Reserve for possible loan losses		—	—
	Total		73,981,092,098	70,264,194,175

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances, Guarantees, endorsements & other obligations	10,739,964,000	11,146,795,700
(ii)	On outstanding forward exchange contracts	—	—
(iii)	On underwriting commitments	50,000,000	—
(iv)	Uncalled Liability on partly paid investments	13,986,000	13,086,000
(v)	Claims on the Bank not acknowledged as debts	—	—
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	32,781,000	—
	Total	10,836,731,000	11,159,881,700

General Fund

Assets

		Schedules	This Year (As at 31.03.2001) Rs	Previous Year (As at 31.03.2000) Rs
1	Cash & Bank Balances	VI	6,487,520,783	5,865,999,303
2	Investments	VII	7,747,909,237	9,569,012,431
3	Loans & Advances	VIII	56,443,054,154	50,833,277,541
4	Bills Purchased Discounted Rediscounted	IX	—	—
5	Fixed Assets	X	355,143,511	317,712,870
6	Other Assets	XI	2,947,464,113	3,678,192,030
7	Profit & Loss Account		—	—
	Total		73,981,092,098	70,264,194,175

For and on behalf of Board of Directors

T. C. Venkat Subramanian
Executive Director

Y. B Desai
Managing Director

P M A. Hakeem
Director

As per our attached report of even date

For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai,
Dated April 28, 2001

Profit & Loss Account

for the year ended 31st March, 2001

Expenditure

		This Year	Previous Year
		Rs	Rs
1	Interest	4,519,830 811	3,644,872,907
2	Credit Insurance (including Guarantee Fee)	37,355,693	25,116,188
3	Staff Salaries, Allowances etc and Terminal Benefits	73,439,552	54,478,640
4	Directors' and Committee Members' Fees and Expenses	168,518	244,775
5	Audit Fees	200,000	175,000
6	Rent, Taxes, Electricity and Insurance Premia	40,465,745	39,676,105
7	Postage, Telegrams and Telex	15,998,547	14,450,559
8	Legal Expenses	3,439,075	694,671
9	Other Expenses	158,243,212	168,043,807
10	Depreciation	38,108,207	35,244,011
11	Transferred to Reserve for possible loan losses	—	—
12	Profit carried down	2,046,951 174	2,273,015,579
	Total	6,934,200,534	6,256,012,242
	Provision for Income Tax	505,500,000	622,500,000
	Balance of profit transferred to Balance Sheet	1,541 451,174	1,650,515,579
	Total	2,046,951,174	2,273,015,579

Report of the Auditors

We have audited the attached Balance Sheet of General Fund of Export-Import Bank of India as at 31st March, 2001 and also the Profit and Loss Account of General Fund of the Bank for the year ended on that date annexed thereto and report that

1 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

2. In our opinion, the Balance Sheet and the Profit and Loss Account are properly drawn up in accordance with the requirements of the Export Import Bank of India Act, 1981 and the Regulations framed thereunder

3 In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the General Fund of the Bank as at 31st March, 2001

For G P Ghose & Associates
Chartered Accountants

Mumbai,
Dated April 28, 2001

G P. Ghose
Partner

General Fund

Income

		This Year	Previous Year
		Rs	Rs
	(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)		
1	Interest and Discount	6,739,509,727	6,020,144,734
2	Exchange, Commission, Brokerage and Fees	179,315,960	225,100,932
3	Other Income	15,374,847	10,766,576
4	Loss carried to Balance Sheet		—
	Total	6,934,200,534	6,256,012,242
	Profit brought down	2,046,951,174	2,273,015,579
	Excess Income/Interest tax provision of earlier years written back	—	—
	Total	2,046,951,174	2,273,015,579

Note 1 Other expenses include Export Promotion Expenses — Rs 27.0 mn (Previous year Rs 47.[illegible] mn)

2 Income includes Rs 1.85 bn on account of investments & bank deposits (Previous year Rs 1.60 bn)

For and on behalf of Board of Directors

T. C Venkat Subramanian	Y B Desai	P. M A Hakeem
Executive Director	Managing Director	Director

As per our attached report of even date

For G. P Ghose & Associates
Chartered Accountants

G P Ghose
Partner

Mumbai,
Dated April 28, 2001

Schedules to the Balance Sheet

as at 31st March, 2001

	This Year (As at 31 03 2001)	Previous Year (As at 31.03.2000)
	Rs	Rs
Schedule I : Capital		
1 Authorised	10 000 000 000	10,000,000,000
2 Issued and Paid up (Wholly subscribed by the Central Government)	5 499 918 881	5,499,918,881
Schedule II : Reserves		
1 Reserve Fund	8 801,669 457	8,082,776,754
2 General Reserve		—
3 Other Reserves		
Reserve for Guarantee cum Refinance Programme	72 500 000	72,500,000
Investment Fluctuation Reserve	265 211 500	259,420,500
Sinking Fund (Lines of Credit)	394 419,064	349,433,791
4 Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	1 130,000 000	820,000,000
	10,663,800 021	9,584,131,045
Schedule III : Profit & Loss Account		
1 Balance as per annexed accounts	1,541 451 174	1,650,515,579
2 Less Appropriations		
Transferred to Reserve Fund	718 892 703	786,099,039
Transferred to Investment Fluctuation Reserve	5 791 000	34,738,000
Transferred to Sinking Fund	40.887 471	37,878,540
Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	310 000 000	400,000,000
Provision for tax on distributed profit by way of dividend,	85 880,000	41,800,000
3 Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act 1981)	380 000 000	350,000,000
Schedule IV : Deposits		
(a) In India	—	—
(b) Outside India	2 797 200 000	2,617,200,000
	2 797 200 000	2,617,200,000
Schedule V : Borrowings		
1 From Reserve Bank of India		
(a) Against Trustee Securities —	—	—
(b) Against Bills of Exchange	—	—
(c) Out of the National Industrial Credit (Long Term Operations) Fund	6 170 000 000	6,970,000,000
2 From Government of India.	139 333 335	157,666,668
3 From Other Sources		
(a) In India	—	—
(b) Outside India —	13 945 329 430	13,226,019,077
	20 254 662 765	20,353,685,745
Schedule VI : Cash & Bank Balances.		
1 Cash in Hand	249 825	154,833
2 Balance with Reserve Bank of India	246 664	6,370,838
3 Balances with other Banks		
(a) In India	823 888 360	672,588,638
(b) Outside India	4 483 335 934	4,886,884,994
4 Money at call and short notice	1 179 800 000	300,000,000
	6 487 [illegible]20 783	5,865 999,303

General Fund

	This Year (As at 31 03.2001)	Previous Year (As at 31.03.2000)
	Rs	Rs
Schedule VII : Investments		
1 Securities of Central and State Governments - at cost or market value whichever is less	746,050 000	3,738,400,000
2 Equity Shares & Stocks	943 751,441	505,972,431
3 Preference Shares and Stocks	—	—
4 Notes, Debentures and Bonds	2,789,467,796	2,606,000,000
5 Others	3,268,640,000	2,718,640,000
	7,747,909 237	9,569,012,431
Schedule VIII : Loans & Advances		
1 Foreign Governments	814,419,788	787,465,560
2 Banks		
(a) In India	392,902,389	535,545,857
(b) Outside India	2 322,952 364	2,312,337,413
3 Financial Institutions		
(a) In India	—	—
(b) Outside India	47,184 928	26,707,086
4 Others	52,865,594,985	47,171,221,625
	56,443,054,454	50,833,277,541
Schedule IX : Bills Purchased, Discounted, Rediscounted		
(a) In India	—	—
(b) Outside India	—	—
	—	—
Schedule X : Fixed Assets (At cost less depreciation)		
1 Premises	321 002 142	291,567,419
2 Others	34 141 369	26,145,451
	355 143,511	317,712,870
Schedule XI : Other Assets		
1 Accrued interest on investments and on loans	1 483,938,139	1,944,987,606
2 Prepaid insurance premium - paid to Export Credit Guarantee Corporation of India Ltd	2,031,475	16,571,258
3 Deposits with sundry parties	5,309,755	4,246,312
4 Others	1,456,184,744	1,712,386,854
	2,947,464,113	3,678,192,030

Note Previous year's figure of 'Others under Other Assets' include due from GOI against disbursement for EMF — Rs 81,645 697

Balance Sheet

as at 31st March, 2001

Liabilities

		This Year (As at 31.03 2001)	Previous Year (As at 31 03.2000)
		Rs	Rs
1	Loans		
	(a) From Government	—	—
	(b) From Other Sources	—	—
2	Grants		
	(a) From Government	128,307,787	128,307,787
	(b) From Other Sources	—	—
3	Gifts, Donations, Benefactions		
	(a) From Government	—	—
	(b) From Other Sources	—	—
4	Other Liabilities	27,905,318	24,623,318
5	Profit and Loss Account	113,547,705	98,553,810
	Total	269,760,810	251,484,915

Contingent Liabilities

(i) Acceptances, Guarantees, endorsements & other obligations	—	—
(ii) On outstanding forward exchange contracts	—	—
(iii) On underwriting commitments	—	—
(iv) Uncalled Liability on partly paid investments	—	—
(v) Claims on the Bank not acknowledged as debts	—	—
(vi) Bills for collection	—	—
(vii) On participation certificates	—	—
(viii) Bills Discounted/Rediscounted	—	—
(ix) Other monies for which the Bank is contingently liable	—	—

Note Section 37 of Exim Bank Act, 1981 (which provided *inter alia* that any income profits or gains accruing to the Export Development Fund or any amount received to the credit of that Fund would not be charged to tax), was omitted by Finance (No 2) Act 1998 with effect from April 1, 1999 Exim Bank was advised that since the said Section was in force till March 31, 1999, the exemption would be available in respect of income accruing or arising to the Fund upto the end of accounting year 1998 99 However, Exim Bank had made a provision for taxation in the accounts of 1998 99 and had also made payment of advance tax of Rs 6 62 mn for that year without prejudice to its rights in the matter The Income tax authorities have passed the assessment order and the Bank is pursuing the matter for refund of tax paid for A Y 1999 2000

Export Development Fund

Assets

		This Year (As at 31 03 2001)	Previous Year (As at 31 03 2000)
		Rs	Rs
1	Bank Balances	239,932,491	224,731,125
2	Investments	—	—
3	Loans & Advances		
	(a) In India	—	—
	(b) Outside India	8,505,318	8,505,318
4	Bills Purchased/Discounted.		
	(a) In India	—	—
	(b) Outside India	—	—
5	Other Assets	21,323,001	18,248,472
6	Profit & Loss Account	—	—
	Total	269,760,810	251,484,915

For and on behalf of Board of Directors

T. C. Venkat Subramanian
Executive Director

Y. B. Desai
Managing Director

P.M.A. Hakeem
Director

As per our attached report of even date

For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai,
Dated April 28, 2001

Profit & Loss Account

for the year ended 31st March, 2001

Expenditure

		This Year	Previous Year
		Rs	Rs
1	Interest	—	—
2	Other Expenses	—	—
3	Profit carried down	24,893,895	24,461,003
	Total	24,893,895	24,461,003
	Provision for Income Tax	9,900,000	9,500,000
	Balance of profit transferred to Balance Sheet	14,993,895	14,961,003
	Total	24,893,895	24,461,003

Report of the Auditors

We have audited the attached Balance Sheet of Export Development Fund of Export-Import Bank of India as at 31st March, 2001 and also the Profit and Loss Account of Export Development Fund of the Bank for the year ended on that date annexed thereto and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory
2. In our opinion, the Balance Sheet and the Profit and Loss Account are properly drawn up in accordance with the requirements of the Export-Import Bank of India Act, 1981 and the Regulations framed thereunder.
3. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Export Development Fund of the Bank as at 31st March, 2001

For G P. Ghose & Associates
Chartered Accountants

G P Ghose
Partner

Mumbai,
Dated April 28, 2001

Export Development Fund

Income

	This Year	Previous Year
	Rs	Rs
(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)		
1 Interest and Discount	24,893,895	24,461,003
2 Exchange, Commission, Brokerage and Fees	—	—
3 Other Income	—	—
4 Loss carried to Balance Sheet	—	—
Total	24,893,895	24,461,003
Profit brought down	24,893,895	24,461,003
Excess Income/Interest tax provision of earlier years written back	—	—
Total	24,893,895	24,461,003

For and on behalf of Board of Directors

T. C. Venkat Subramanian
Executive Director

Y. B. Desai
Managing Director

P.M.A. Hakeem
Director

As per our attached report of even date

For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai,
Dated: April 28, 2001

Notes to Accounts — General Fund

1 As Exim Bank is acting only in the capacity of an agency to facilitate certain transactions relating to Indian contractors, foreign currency receivables advised to the Bank equivalent to Rs 32,029,361,549 (Previous year Rs 29,968,270,072) held on agency account including a sum of Rs 26,532,828,390 assigned to GOI are not included in the Balance Sheet

2 Section 37 of Exim Bank Act, 1981 (which provided, inter alia, that any income, profits or gains derived or any amount received by Exim Bank would not be charged to tax), was omitted by Finance (No. 2) Act 1998 with effect from April 1, 1999 Exim Bank was advised that since the said Section was in force till March 31, 1999, the exemption would be available in respect of income accruing or arising to it upto the end of accounting year 1998-99 However, Exim Bank had made a provision for taxation and created a Special Reserve u/s 36(1)(viii) of the Income-tax Act, 1961, in the accounts of 1998-99 and had also made payment of advance tax of Rs 750 0 mn for that year without prejudice to its rights in the matter The Bank made an additional payment of Rs 35 5 mn and is pursuing the matter for refund of the tax paid for A Y. 1999-2000

3 The outstanding forward contracts amounted to Rs 173 3 mn as at March 31, 2001 and these have been fully hedged

4 Capital as at March 31, 2001

a)

(i)	Capital to Risk Assets Ratio (CRAR)	23 83%
(ii)	Core CRAR	23 67%
(iii)	Supplementary CRAR	0 16%

(b) The amount of subordinated debt raised and outstanding as at March 31, 2001 as Tier-II capital NIL

(c) Risk weighted assets

(i) 'On' balance sheet items Rs 62 11 bn

(ii) 'Off' balance sheet items Rs 6 11 bn

(d) The share holding pattern as on the date of the balance sheet Wholly subscribed by Govt of India

- *The CRAR and other related parameters, have been determined as per the extant capital adequacy norms prescribed by RBI for the FIs*

5. Asset quality and credit concentration as at March 31, 2001

(a) Percentage of net Non-Performing Assets (NPAs) to net loans and advances 8 17

(b) Amount and percentage of net NPAs under the prescribed asset classification categories

	Amount (Rs in bn)	Percentage
(i) Substandard Assets	2 36	4 73
(ii) Doubtful Assets	1 71	3 44

(c) Amount of provisions made during the year

		Amount (Rs in mn)
(i)	Standard Assets	47 1
(ii)	NPAs	105 0 (net)
(iii)	Investments (other than those in the nature of an advance)	Nil
(iv)	Income Tax	505 5

(d) Movement in net NPAs	Amount (Rs in bn)
Net NPAs as at April 1, 2000	3 73
New NPAs during 2000-01	1 06
Recoveries/upgradations during 2000-01	0 72
Net NPAs as at March 31, 2001	4 07

(e) Restructured Standard Assets as at March 31,2001 Rs 2 27 bn

(f) Restructed Sub-standard Assets as at March 31, 2001 Rs 297 0 mn

(g) Credit Exposure

	Percentage to Capital Funds	Percentage to Total Assets
(i) Largest single borrower	8 65	1 89
(ii) Largest borrower group	10 15	2.22
(iii) 10 largest single borrowers	70 05	15 31
(iv) 10 largest borrower groups	65 92	14 40

(h) Credit exposure to the five largest industrial sectors

Sector	Percentage to Total Loan Assets
(i) Textile & Garments	12 61
(ii) Chemicals & Dyes	10 25
(iii) Drugs & Pharmaceuticals	9 15
(iv) Engineering Goods	7 12
(v) Auto & Auto Ancillaries	5 83

- *The 'credit exposure' has been reckoned as defined in RBI circular DoS FID No 17/01 02 00/96-97 dated June 28, 1997*

6 Liquidity

(a) Maturity pattern of rupee assets and liabilities, and

(b) Maturity pattern of foreign currency assets and liabilities

(Rs in bn)

Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
Rupee assets	19 73	21 81	14 58	10 34	15 95	82 41
Foreign currency assets	12 32	5 33	3 77	2 79	3 78	27 99
Total assets	32 05	27 14	18 35	13 13	19 73	110 40
Rupee liabilities	14 49	17 28	9 62	2 91	21 11	65 41
Foreign currency liabilities	5 90	10 41	3 42	0 88	6 37	26 98
Total liabilities	20 39	27 69	13 04	3 79	27 48	92 39

- For the maturity pattern of assets and liabilities, the bucketing of various items of assets and liabilities in the specified time buckets have been done in accordance with the RBI Guidelines on Asset Liability Management System issued vide circular DBS FID No C-11/01 02 00/1999 2000 dated December 31, 1999

7 Operating results

(a) Interest income as a percentage to average working funds 9 36

(b) Non-interest income as a percentage to average working funds 0 27

(c) Operating profit as a percentage to average working funds 2 91

(d) Return on average assets 2 14%

(e) Net Profit per (permanent) employee Rs 10 0 mn

- For operating results, the working funds and total assets have been taken as the average of the figures as at the end of the previous accounting year, the end of the succeeding half year and the end of the accounting year under report. (The 'working funds' refer to the total assets).
- All permanent, full-time employees in all cadres have been reckoned for computing per employee net profit

8 Forward Rate Agreements/Interest Rate Swap in terms of RBI Guidelines dated July 7, 1999

The Bank had no outstanding swap as at March 31, 2001

For and on behalf of Board of Directors

T. C. Venkat Subramanian	Y. B. Desai	P. M. A. Hakeem
Executive Director	Managing Director	Director

As per our attached report of even date

For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai,
Dated April 28, 2001

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